Austria	Sch30	Indonesia	Rp3100	Pakistan	[illegible]
Bahrain	Din0.900	Iran	Rls210	Philippines	Peso
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S'Arabia	SR9.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux.	LFr60	Sweden	SKr12
Germany	DM3.00	Morocco	MDh18	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.900
Iceland	IKr180	Norway	NKr13.00	Turkey	4,500
India	Rs30	Oman	OR1.20	UAE	Dh8.00

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Wednesday October 9 1991

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ALBANIA

Life after the collective

Page 24

World News

Allegation delays vote on Supreme Court judge

Confirmation of Mr Clarence Thomas as a US Supreme Court judge was held up yesterday by allegations he had sexually harassed an employee. Mr Thomas asked the Senate to delay voting on his nomination for two days to allow him to clear his name. Earlier story, Page 6

More say for Germany
European Parliament members are today expected to back a resolution giving Germany more seats to reflect its size after unification. Page 14

US doubt on Israel debt
The US has started signalling its doubts about Israel's ability to service the big increase in foreign borrowing it plans to fund Soviet Jewish immigration. Page 14

Baker's eighth trip
US secretary of state James Baker will set out on his eighth Middle East tour on Saturday to try to finalise details for an Arab-Israeli peace conference.

Aid for Soviet Union
Japan announced it was offering emergency aid worth up to $2.5bn to the Soviet Union. The package consists of aid for humanitarian purposes and trade promotion. Page 2

Deal on troop pull-out
The Soviet Union has agreed to withdraw its 45,000 troops from Poland by 1993. The deal paves the way for a treaty normalising Soviet-Polish relations. Page 2

Haiti confusion
Soldiers opposed to the return of ousted president Jean-Bertrand Aristide appeared to have rebelled against the week-old junta led by Gen Raoul Cedras. Page 6

Kurds admit killings
Kurdish leaders admitted that their supporters shot dead 60 unarmed Iraqi prisoners of war on Monday in the northern Iraqi city of Suleimaniya. The Kurdistan Democratic party said it was trying to identify those involved. Page 4

'Superguns' disarmed
UN weapons inspectors supervised the destruction of two Iraqi "superguns". The weapons – which had barrels 55 and 165 yards long – were cut up to render them powerless.

Dutch boycott talks
The Netherlands, current European Community president, said it would not attend Franco-German talks on European defence. The Dutch are upset at the way France and Germany announced the talks.

Violence in Togo
Violence broke out in Togo after soldiers tried unsuccessfully to kidnap prime minister Joseph Koffigoh. It was the third attempt in a week to unseat his interim government, which is trying to end military rule.

US death sentence
The US has executed more juvenile offenders in the last 10 years than any country except Iraq and Iran, said Amnesty International. The human rights group said only six other countries allowed executions for crimes committed by under 18 year olds.

Ex-terrorist jailed
Former Red Army Faction terrorist Silke Maier-Witt, 41, was jailed for 10 years by a court in Stuttgart, Germany, for helping kill industrialist Hans-Martin Schleyer in 1977 and participating in the 1979 attack on US general Alexander Haig.

Ancient village revealed
Low waters in the Sea of Galilee have uncovered a 19,000 year-old village, Israel Radio said, showing the remains of mud and brick dwellings, graves and cooking sites.

Business Summary

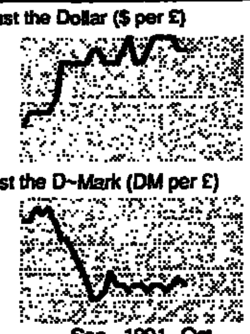
Kumagai Gumi scales down international operations

Kumagai Gumi, Japanese property developer and contractor, yesterday announced a scaling down of its once ambitious international operations and a suspension of new foreign development projects.

The company plans to sell by 1995 assets worth Y1.125bn ($8.45bn) having been hurt, like other Japanese developers, by the troubled international property market. Page 15

CURRENCY markets: The dollar pushed ahead yesterday as hopes for an immediate easing in US monetary policy began to fade, while sterling slid to the bottom of the European exchange rate mechanism grid amid growing nervousness by international investors about the political standing of the UK government. Currencies, Page 32

Sterling



Source: Datastream

PILKINGTON, UK company which is the world's largest glassmaker, is to move the headquarters of its core business of flat and safety glass to Brussels, from where it hopes to attack the single market better. Pilkington integrates European operations, Page 15; Lex, Page 14; Observer, Page 12

CARIBBEAN Community (Caricom): Efforts to create a Caribbean customs union this year, then move to a common market in just over two years, has suffered a setback, as some members failed to meet a deadline for implementing a common tariff on imports from third countries. Page 3

BRITISH Aerospace: Shares in BAe, largest UK defence contractor, fell from 402p to 380p yesterday, the same price as the new shares being sold in its £432m ($752m) rights issue. Brokers said if the share price continued to fall, there was a danger the new shares would be left with underwriters when the rights issue closes on 28 October. Markets, Page 25; Lex, Page 14

US WEST, one of America's regional Bell Telecommunications groups, and France Telecom have formed a joint venture to provide mass market electronic information services in the US. Page 17

LATIN America: One of the first closed-end funds to invest exclusively in Latin American debt has been launched by S. G Warburg Securities, part of the UK investment bank. Page 18

INDIA: All but one of the country's leading business houses reported increases in sales for 1990-91, despite political uncertainty, rising inflation, law and order problems, and reduced consumer spending in several sectors. Page 16

BRISTOL-Myers Squibb is expected to win the approval today of the US Food and Drug Administration for dideoxyinosine (DDI), a drug for the treatment of the disease Aids. Page 16

HUHTAMAKI, Finnish confectionery, packaging and pharmaceuticals group, reported a 42 per cent drop in profit after financial items to FM105m ($25.7m) during the first eight months of 1991, compared with a profit of FM181m. Page 17

Croatian prisoners of war are marched to a federal army base near Banjaluka in the central Yugoslav republic of Bosnia-Hercegovina

Federal army agrees to ceasefire if Croatia lifts blockades of army barracks

EC postpones Yugoslav sanctions

By David Gardner in The Hague and Judy Dempsey in Zagreb

THE EUROPEAN Community has delayed the imposition of sanctions against Yugoslavia to allow talks to continue on establishing a new ceasefire.

There appeared to be a lull in fighting after midnight yesterday with only sporadic, although intense, attacks reported in parts of the breakaway republic of Croatia.

The EC had threatened economic sanctions from yesterday if fighting between Croatian forces and the federal army had not stopped by midnight on Monday.

The federal army said it would implement a ceasefire if the Croatian authorities lifted blockades of federal army barracks. But there were indications yesterday that Croatia was unlikely to lift its blockades.

The Croats fear that a ceasefire would allow the federal army to consolidate gains it has made in parts of Croatia. The mood among Croatians has hardened after Monday's bombing by a federal jet of the presidential headquarters in Zagreb.

Croatia further demonstrated its suspicion of Serbia when its parliament voted to secede from Yugoslavia, activating the declaration of independence it made on June 25.

The republic had frozen further independence moves for three months under an agreement brokered by the EC.

EC officials and representatives of the Croatian government and Yugoslavia's federal army held lengthy talks in Zagreb, the Croatian capital, in an attempt to arrange a ceasefire.

Mr Dirk Jan van Houten, EC mediator, met General Andrija Raseta, deputy commander of the federal army in Croatia, and Colonel Imre Agutic, commander of the Croatian forces. "It was a productive meeting. We are now talking about an agreement," an EC official said.

Mr Anton Babic, a spokesman for the Croatian government, said Croatia wanted a ceasefire.

But in a stormy session of the Croatian parliament, Mr Vladimir Seks, head of the crisis centre in Slavonia, eastern Croatia, was reported to have said the blockades must stay.

Slavonia has taken the brunt of attacks by the federal army and Serb paramilitary units.

"The Croats are angry," said one western diplomat. "They know the federal army can attack the city at any time. But they have been humiliated. The Croats will now not give in easily to a ceasefire. They need reassurances that the federal army will leave the republic altogether, and I cannot see that happening."

Slovenia has said it will implement its declaration of independence.

EC officials want the warring parties to return to the ceasefire agreement reached last Friday.

It was also agreed that talks would proceed on the assumption that republics wanting independence would get it. They would, in turn, have to guarantee minority rights, undertake not to redraw borders by force and to work towards a loose association of sovereign states.

In Brussels, the European Commission gave EC ambassadors contingency plans to "denounce" or abrogate the EC's trade and co-operation agreement with Yugoslavia. Senior officials from the Twelve will look at further sanctions in The Hague today.

The Dutch presidency of the EC was last night trying to persuade the three main protagonists in the conflict – Mr Franjo Tudjman, president of Croatia, Mr Slobodan Milosevic, president of Serbia, and Mr Veljko Kadijevic, Yugoslav defence minister and commander of the Serb-controlled federal army – to reconvene at The Hague.

The aim would be to get them to abide by the agreement reached on Friday.

Dutch officials said that the meeting could take place today. But Mr Henry Wijnaendts, the co-ordinator of the peace conference, underlined that this would "only be possible" if tangible progress were made towards implementing a ceasefire "on the ground".

EC ceasefire monitors, Page 2

Japan imposes severe penalties on four brokers

By Stefan Wagstyl in Tokyo

JAPAN'S four leading stockbrokers were severely penalised by the country's Ministry of Finance yesterday for their involvement in financial scandals.

The ministry imposed suspensions of up to six weeks on key parts of the companies' business in some of the stiffest sentences ever meted out by ministerial order.

The move, aimed at warning the companies against any repetition of wrongdoing, was followed by another round of resignations of senior executives responsible for supervising scandal-tainted divisions and of pay cuts for directors.

Foreign brokers said the penalties were harsher than had been expected but they would not alter the four brokers' dominance of the stock market – unlike the fate of Drexel Burnham Lambert, the scandal-hit Wall Street broker which collapsed after being punished by the authorities for offences in the junk bond market.

The brokers – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – were all punished yesterday for compensation paid after March 1990, when the ministry announced a ban on such payments.

Nomura, which suffered the heaviest penalties, was also punished for violating a clause in the Securities and Exchange Law prohibiting ramping (excessively promoting) a stock. In 1989, Nomura promoted shares in Tokyu Corporation, a railways group, after Mr Susumu Ishii, an alleged gang leader, had acquired a large stake.

Nomura is being banned from broking equities for a month from October 15 at 86 branches and offices, including the head office and many of its largest outlets. The head office and seven big branches are being banned from this business for an additional two weeks to November 25, because they were judged to have played the biggest part in promoting Tokyu stock. The branches will not close – they will continue to broke bonds and investment trusts.

Separately, Nomura is being excluded from underwriting Japanese government bonds in November. This follows a ban on four previously imposed for October.

The penalties for loss compensation are bans running from October 15 on all business with corporations – including underwriting as well as broking. Nomura and Daiwa are suspended for a week, Nikko for three and Yamaichi for two. Nikko's punishment is heaviest because it even compensated clients who had pledged in writing not to accept payments.

Two Nomura board members are resigning, Mr Yoshikazu Kitsuda, the executive vice-president, and Mr Junichi Nakano, who took responsibility for over-promoting Tokyu shares. Yamaichi and Nikko will lose one director each, while one director at Daiwa is being demoted. The pay cuts range from 10 to 30 per cent and run for between two and 12 months.

The punishments mark the end of the ministry's investigations into the compensation and Tokyu affairs, including the link with Mr Ishii. Officials are still investigating illegal loan scandals in the banking industry. But the ministry hopes that the planned resignation of Mr Ryutaro Hashimoto, the finance minister, later this month will being public interest in the scandals largely to an end.

Background, Page 14

US West links up with France Telecom

By Hugo Dixon in Geneva and Martin Dickson in New York

US WEST, one of the seven regional Bell telephone companies, and France Telecom have formed a joint venture to provide mass market electronic information services in the US.

The venture, announced yesterday in Geneva, will take an approach similar to the French Minitel system, under which customers access electronic directories, send messages and shop using small computer-like terminals.

The announcement came a day after US West and the other so-called Baby Bells were freed by a US appeal court to provide electronic information services. After the breakup of AT&T in 1984, the Baby Bells were prevented from supplying such services.

The ruling could lead to a huge upheaval in US electronic information services, which range from home shopping to classified advertising.

US West said the timing of the court decision was a coincidence. It would merely have provided a more limited range of electronic services if the ban had remained.

The joint venture, owned 60 per cent by US West and 40 per cent by French Telecom, is called Community Link Minitel. As well as marketing services in US West's territory in the Rocky Mountain states, the two companies plan to co-operate in supplying such videotex services in international markets.

France Telecom is the world's leading videotex supplier. In 1990 the Minitel population reached 5.6m terminals with about 15,000 services available.

Such an expansion was initially achieved by giving away

Continued on Page 14

Ring of confidence, Page 14
Swedish Telecom, Page 17

Four European airlines plan to merge operations

By Robert Taylor in Stockholm

SCANDINAVIAN Airline Systems, Swissair and Austrian Airlines are planning to integrate their operations, Mr Jan Carlzon, SAS president, said yesterday.

British Midland Airways, in which SAS holds a 25 per cent stake, is expected to join the partnership with the three airlines which in September 1989 created a strategic partnership called the European Quality Alliance.

Mr Carlzon said existing rules made it difficult for the three airlines to merge into a pan-European enterprise, although that remained a longer term objective.

The partners intend to co-ordinate their organisations', traffic systems, travel products and sales efforts, but would continue to operate under their own names. A more detailed plan for the integration will be launched early next year.

Mr Carlzon said that SAS expected to save as much as SKr500m ($82.6m) as a result of the integration. The alliance plans to operate a new route to Vilnius, Lithuania, in competition with Aeroflot.

Mr Carlzon said SAS intended to concentrate on core activities. "Everything that does not further the competitiveness of our airline activities must be removed, sold or turned into independent entities," he said.

SAS is expected shortly to sell the 40 per cent stake in Inter-Continental hotels for which it paid $500m in 1989.

It is carrying through a two-year SKr3bn rationalisation programme involving route closures, the loss of at least 3,500 jobs, and other efficiencies designed to boost productivity by 20 per cent.

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Thai economy: Decline predicted in the country's economic growth rate 4

Privatisation: Czechoslovakia puts privatisation runners under starter's orders 2

American public learns how its money is being spent

Robert Gates, President Bush's nominee for CIA director, has undergone a rigorous vetting process. Edward Mortimer applauds the practice of public scrutiny Page 13

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MARKETS

STERLING
New York close:
$1.703 close
London:
$1.7145 (1.7355)
DM2.9075 (2.915)
FFr9.8875 (9.9225)
SFr2.545 (2.555)
Y223.0 (224.5)
£ index 90.4 (90.7)

GOLD
New York: Comex Dec
$360.2 (362.0)
London:
$358.05 (359.6)

N SEA OIL (Argus)
Brent Nov
$21.65 (same)

Chief price changes yesterday: Page 15

DOLLAR
New York close:
DM1.70375 (1.6802)
FFr close (5.7125)
SFr1.491 (1.4735)
Y130.325 (129.6)
London:
DM1.695 (1.6795)
FFr5.7675 (5.7175)
SFr1.4855 (1.472)
Y130.1 (129.4)
$ index 64.5 (64.2)
Tokyo close: 129.93

US CLOSE RATES
Fed Funds: $5\frac{1}{16}$% ($5\frac{1}{16}$)
3-mo Treasury Bills: closing (5.148)
Long Bond: $103\frac{13}{32}$ ($103\frac{25}{32}$)
yield: 7.822% (7.79)

STOCK INDICES
FT-SE 100:
2,599.5 (+3.3)
FT Ordinary:
1,991.6 (+1.9)
FT-A All-Share:
1,254.4 (same)
FT-A World index:
145.47 (-0.6%)
New York close:
DJ Ind. Av.
2,963.77 (+21.02)
S&P Comp
380.67 (+1.17)
Tokyo: Nikkei
24,155.62 (-175.21)

LONDON MONEY
3-month interbank:
$10\frac{7}{32}$ (same)
Liffe long gilt future:
$95\frac{15}{32}$ ($96\frac{11}{32}$)

Japan to give Soviet Union $2.5bn in aid

By **Stefan Wagstyl** in Tokyo

JAPAN yesterday announced a \$2.5bn (£1.4bn) package of financial assistance for the Soviet Union in the biggest departure so far from a long-standing ban on aid for Moscow.

The sum involves \$500m in government loans for food and medical supplies, \$200m in other government loans and \$1.8bn worth of export credit insurance. There will also be tax breaks for private companies making donations in cash or in kind to the Soviet Union.

The package, one of the largest ever granted by Japan to any country, is designed to show Moscow Tokyo's flexibility in its pursuit of a normalisation of relations between the two countries, including the settlement of Japan's claim to four islands seized by Soviet soldiers in 1945.

The move comes at a time when other Group of Seven countries are increasing support for the Soviet Union. The Ministry of Foreign Affairs in Tokyo has been anxious to prevent Japan being isolated from the US and Europe because of its territorial claims. G7 finance ministers are meeting in Bangkok this week.

Mr Taro Nakayama, the foreign minister, will visit Moscow later this week to discuss details such as who will receive the aid and how it will be disbursed.

Tokyo has been gradually softening its policy towards the Soviet Union for the past year, including approving a \$100m emergency food aid loan last winter and welcoming Mr Gorbachev to Japan this spring. But relaxation of its tough position on aid has become much more noticeable since the failure of the anti-Gorbachev coup.

Tokyo has also decided that pressing territorial claims now would be counter-productive, since it could raise nationalist hackles in the Soviet Union. The region of Sakhalin island in the Soviet far east, which includes the disputed territory, is to hold a referendum on the issue next month.

A Foreign Ministry official said yesterday that Japan had not given up its territorial claims. But Tokyo could not ignore the welcome changes which had followed the coup's failure. The assistance package did not amount to the large-scale financial aid which Moscow sought for economic reconstruction, said the official.

The assistance package is not quite as generous as it seems. While the \$700m in loans is all new money and represents a huge increase in Japan's contributions to the Soviet Union, the promise of export credit guarantees is mainly a pledge to continue official export insurance at last year's levels. The Ministry of International Trade and Industry said Japanese export insurance for Soviet trade has been running at around \$1.7bn-\$1.8bn a year for the past few years. But this year, there had been a sharp decline in exports from \$2.6bn in 1990 to \$1.1bn in the first half of 1991. The purpose of yesterday's statement was to give exporters confidence to sell to the Soviet Union.

Nevertheless, Japan's package compares favourably with \$2.4bn in credit guarantees for food exports given by the European Community and \$2.5bn in food loan guarantees from the US.

Poles reach Soviet troop pull-out deal

By **Reuter and Christopher Bobinski** in Warsaw

THE Soviet Union has agreed to withdraw its 45,000 troops from Poland by the end of 1992, paving the way for a treaty normalising relations between the two countries, the Polish Foreign Ministry said yesterday.

Describing the deal as a breakthrough,

Mr Grzegorz Dziemidowicz, a ministry spokesman said: "There are still differences on whether it will be the end of September or the end of December, but there is no doubt they will all go in 1992."The Poles had been demanding that the troops be withdrawn by the end of this year, while Moscow had been looking to 1993, arguing that an early withdrawal was impossible as they did not have the housing available for their forces.

Soviet troops have now been pulled out of both Czechoslovakia and Hungary. The issue in Poland has bedevilled mutual relations and held up a long awaited visit to the Soviet Union by Mr Lech Walesa, the Polish president. The Polish Foreign Ministry has been criticised for failing to secure an early troop withdrawal and the compromise formula could allow it to claim that the issue is settled and open the way for Mr Walesa's visit. The agreement would leave communications and other support troops in place pending the withdrawal of the Soviet army from German territory by the end of 1994.

Mr Dziemidowicz said Moscow gave up a demand for the proposed treaty to include a clause barring Poland from entering any hostile military alliance.

A treaty between the Soviet Union and Romania last year included such a clause and Moscow wanted it in similar treaties with Poland, Czechoslovakia and Hungary. They opposed this, saying it would limit their sovereignty.

A Polish source said the breakthrough came after Mr Yuri Kvitsinski, the hardline Soviet negotiator, was replaced after the failure of the attempted coup against President Mikhail Gorbachev.

Nato to cut stockpile of aircraft N-bombs

NATO plans to cut its stockpile of nuclear aircraft bombs in Europe by up to half in the latest move in a new disarmament race to drastically reduce east-west arsenals, alliance officials said, Reuter reports from Brussels.

President George Bush said two weeks ago that all US nuclear artillery shells and short-range Lance missiles would be destroyed as part of wide-ranging cuts. The Soviet Union has since announced similar plans.

"We expect significant reductions in the nuclear stockpile in Europe, over and above the reductions in artillery and Lance," said a senior Nato official. "What we're talking about is a reduction in bombs."

Exact figures are classified, but about 1,400 US free-fall nuclear aircraft bombs are understood to be based in several European countries, mainly Germany. The official said the withdrawal of all short-range weapons would take no more than two years, but no timetable had yet been fixed. The 16-nation alliance says it must keep a minimum number of nuclear weapons in Europe to provide an ultimate guarantee of peace. It will now rely on aircraft bombs as its only deterrent based on land in Europe.

● The Press Association adds: Defence sources in London confirmed that the UK's arsenal of WE177 nuclear free-fall bombs would be affected by the plans. The precise number of bombs is unknown but is believed to be between 100 and 200.

Moscow to set up Baltic diplomatic ties

THE Soviet Union will formally establish diplomatic relations with the newly-independent Baltic republics of Estonia and Lithuania today, Reuter reports from Moscow.

Tass news agency, quoting a Soviet foreign ministry official, said yesterday that Mr Boris Pankin, the new foreign minister, would exchange documents with Lithuanian and Estonian representatives in Moscow.

Moscow was expected to establish diplomatic relations soon with Latvia, the third Baltic republic, it said.

However, the Baltic states and the Soviet Union, which has recognised their independence, have yet to solve the thorny issue of the presence of thousands of Soviet troops on the territory of the Baltic states.

The republics' leaders last Saturday demanded the removal of Soviet troops and installations from their capitals by December 1 and withdrawal of all forces as soon as possible.

But the Soviet military commander in the Baltics on Monday said the demand was unrealistic and had to be negotiated.

White-clad Community ceasefire monitors have made an easy target for Yugoslavia's warring republics

Life is increasingly dangerous for ceasefire monitors in Yugoslavia

EC 'ice-cream' men feel the heat

Judy Dempsey reports from Zagreb on a Community team that is coming under fire from both Serbs and Croats

IT WAS raining yesterday and it was cold. The European Community monitors who are based in the republic of Croatia stayed in their hotel. But it was not the weather that kept the monitors "confined to barracks", as one put it. It was simply that it was too dangerous to go out into the small villages and towns.

Despite the announcement by the Yugoslav federal army of yet another new ceasefire offer, the sounds of repeated shelling and bombardments were clearly heard from the monitors' hotel which is on the outskirts of Zagreb, the Croatian capital.

The monitors – there are only 150 of them in Croatia – are now often wary of venturing out and taking undue risks. The EC helicopters, easily identifiable by their bright, white coat of paint, and their blue, 12-starred Community emblem, have been repeatedly fired at. Sometimes by the Croats, other times by the Serbs.

One monitor, dressed in the white uniform (they are known locally as the ice-cream men), was shot in the leg, apparently by a Croat, after he came out of the federal army headquarters in Zagreb one evening. The ship carrying the EC monitors out of the besieged city of Dubrovnik on the Adriatic Coast at the weekend, was "intimidated" by a federal army gun-boat.

"We were even prevented for a time from trying to dock in the port of Split because we were accused by the federal army of bringing certain 'unlisted categories of people' on the ship," said one monitor. Among the "categories" of people were a number of patients on kidney dialysis machines. They had to be evacuated on the EC ship because the federal army and Serb paramilitary units had cut off Dubrovnik's water and electricity supplies.

The small international and unarmed EC force is charged with the task of monitoring the ceasefire agreements. It is headed by Dutch officials and accompanied by interpreters and federal and republican liaison officers although it seeks to operate in as independent a way as possible. Some of the monitors are Serbo-Croat speakers.

However, since they were first deployed in Croatia nearly six weeks ago, their role has shifted significantly. Said one: "We were sent out initially to monitor a ceasefire. But there is no ceasefire to monitor. What we are now doing is trying to act as a peacekeeping force to keep the warring factions apart."

The task has not been easy to fulfil. The number of monitors is small, and paramilitary forces on both sides who are often acting independently do not want any international observers in the country. The EC team also has no military back-up, although many of them believe that to have military support would cause even more problems.

"Once you send in a military force you change the whole nature of this war," said one monitor. "First, you have to decide how many thousands of men you need and from which countries. Second, you have to know where you are going to deploy them. But you know the history of this country. The war in Croatia – and if it spreads to Bosnia-Hercegovina – would evolve into a long and bitter guerrilla war. This would solve nothing. We would be caught right in the middle."

Although the monitors say they were well briefed before coming to Yugoslavia, several said they had not been prepared for the wide cultural gap separating The Hague, where EC-sponsored peace talks have taken place, and the Balkans.

"The meaning of negotiation, contract, and ceasefire is sometimes not worth the paper it is written on," commented one monitor. "You meet with these perfectly reasonable politicians from the Croat, Serb and army side around the table. You thrash out the terms of the ceasefire. They all agree. Yet once they go back to the field, they change the rules of the game to suit their political masters. Sometimes I feel that they have no notion about what it means to be bound by an agreement," he said.

Despite cultural barriers, the violence against the observers, and the death and destruction they have seen in Croatia, the EC monitors remain upbeat, mainly for one reason. "When I was in Dubrovnik," said one, "although the outskirts of the city was being pounded night and day by the federal army, the local population felt psychologically reassured that we were there. They felt the link to Europe was being kept open, and that they were not being forgotten about.

"You cannot imagine how many times so many people in Dubrovnik pleaded with us to stay. I left at the weekend. But another team has been sent in. If we leave the country, it will deal a deep psychological blow to those who want peace."

Unified Germany to get more MEPs

THE European Parliament is expected to vote later today to give Germany 18 more seats to reflect unification a year ago, writes David Buchan in Brussels.

At present, it has 81 MEPs, like Britain, France and Italy, even though they now represent nearly 80m Germans. The only concession so far to the incorporation of eastern Germany into the federal republic and the EC has been 18 German observers who attend the Strasbourg parliament.

French MEPs from most political groups argued that raising German representation would create a national imbalance. The emergence of one dominant country could spoil the atmosphere for political union negotiations to succeed.

But speaking for the Socialist group, Mr David Martin (UK Labour) said it was "far too wide a spread" now for Germany to have only one MEP for nearly 1m people, compared to Luxembourg's six MEPs for 70,000 people each.

Unemployment down sharply last month

German unemployment fell sharply last month as 97,000 people took up new jobs after the summer lull, writes Christopher Parkes in Bonn. In the east the jobless total dropped for the second successive month – by 34,500 to 1.03m or 11.7 per cent of the workforce. The number those on short-time was also reduced by a further 116,000 to 1.3m.

In the west the proportion out of work shrank by 62,700 to 1.6m – from 6.5 per cent to 5.4 per cent of the workforce. The figure in September last year was 5.9 per cent. However, short-time working, especially in export-oriented industries, remains a problem in the former Federal Republic, which has 132,000 people working less than a full week.

Brittan defiant over de Havilland

Sir Leon Brittan, EC competition commissioner, last night mounted a passionate defence of last week's Commission decision to block the Franco-Italian takeover of de Havilland, the Canadian aircraft manufacturer, writes Andrew Hill in Brussels. "No responsible competition authority would have taken a different view," he told the European Parliament.

The Commission decision has angered France and Italy, as well as the French and Italian bidders Aerospatiale and Alenia, who believe Brussels should have taken the need for a strong EC industrial policy into consideration.

Some MEPs said the decision suggested the Commission's powers, particularly in the field of merger regulation, should be reduced substantially and more strength given to political bodies, such as the council of ministers. But Sir Leon told the parliament that nobody wanted a system which only served the interests of "the countries which shout loudest".

Even Sir Leon's close advisers were surprised by the vehemence of his speech. "He was behaving as though he was in Westminster, and clearly loving it," said one.

Romania freezes basic food prices

Romania has frozen the prices of staple foods and other essential goods and services for six months following riots prompted by economic reforms and soaring inflation, Reuter reports from Bucharest.

The price of bread, milk, edible oil, sugar, meat, public transport and state housing rents will remain unchanged until April and possibly July, the state news agency Rompres quoted Mr Eugen Dijmarescu, economy minister, as saying.

Separate currencies 'best for republics'

By **Michael Prowse** in Washington

SEPARATE currencies for Soviet republics may be the best way to restore monetary stability and preserve trade within the Soviet Union, according to a study released yesterday by the Institute for International Economics, a Washington think-tank.

The objection to separate currencies has been that they would accelerate economic disintegration by severing trade links. The report argues, however, that independent currencies need not inhibit trade relations provided a payments union is created to overcome the shortage of hard currency.

Under a payments union, members agree to accept one another's currency in payment for exports and to settle imbalances centrally with the union. Such an arrangement was instrumental in allowing western European countries with separate currencies to recover from the ravages of the Second World War.

The report says a payments union would require initial support from the west of \$3bn-\$5bn, depending on whether eastern European countries joined. To enhance trade links further, the study advocates early creation of an eastern economic community analogous to the European Community.

The authors, economists John Williamson and Oleh Havrylyshyn, say conventional western wisdom – which regards a single central bank as an essential prop for monetary stability – underestimates national aspirations for autonomy. They are also sceptical of a central bank's ability to impose monetary discipline given the likelihood of full decentralisation of budgetary powers to the republics.

They acknowledge that separate currencies would carry risks. However, by placing monetary responsibility with the political unit that "pulls the fiscal trigger of inflation", this reform would stand a better chance of achieving the required discipline than a centralised authority.

They say western governments are mistaken in assuming that vigorous intra Soviet trade requires a single currency. EC experience shows it is compatible with separate currencies.

From Soviet disUnion to Eastern Economic Community? By Oleh Havrylyshyn and John Williamson. Institute for International Economics, 11 Dupont Circle N W, Washington DC 20036.

The Soviet Union's biggest car-manufacturer, VAZ, is hoping to begin final negotiations this month on a deal under which Fiat would buy a 30-40 per cent stake in a new VAZ subsidiary to build the A-93 model from Fiat's Uno family, writes Leyla Boulton in Moscow. Fiat would thus become the first western industrial company to become a shareholder in a large Soviet enterprise. The aim is to make 300,000 new cars a year.

Sweden to drop turnover tax on shares

By **Robert Taylor** in Stockholm

SWEDEN'S 0.5 per cent turnover tax on share transactions is likely to be abolished from 1 December, it was announced yesterday by the Ministry of Finance. The tax was introduced in January 1984 by the then ruling Social Democrats against the protests of the Stockholm bourse which warned that it would drive business abroad.

The tax was more of an irritant than a menace to the Stockholm bourse which went through a boom in the late 1980s, although there was indeed a flow of business abroad with many larger public companies being listed on foreign exchanges.

But the tax was also regarded as a needless gesture by the Social Democratic government of the time to placate Sweden's powerful trade unions who disliked the 1980s share boom. The new non-Socialist government promised when taking office at the end of last week that it would abolish the tax as soon as possible. However, parliamentary support has to be mustered.

Mr Urban Backstrom, state secretary at the Ministry of Finance said yesterday that he did not expect the market to be much worried by having to wait nearly two months before the abolition of the tax. "The important thing is that the market gets a clear message that the tax is going."

Prague puts privatisation runners under starter's orders

THE CZECHOSLOVAK government appears to have set its ministries and business leaders an extremely ambitious timetable in the sale of half the country's large companies to the private sector.

State bodies, enterprises and foreign consultants are due to complete more than 1,700 privatisation business plans in less than two weeks.

This is the first wave of a two-stage privatisation process being put into place by the federal government. The second wave is to include approximately 1,300 companies in the Czech republics and companies will have to submit their applications by the end of May next year.

Companies in the Czech and Slovak republics earmarked for the first stage have until November 1 to submit business plans which will leave all their equity in private hands. The government expects foreign and domestic investors, including first time buyers, to purchase shares in the new private companies.

But there are fears that the multi-billion dollar programme will run into difficulties as overwhelmed ministries struggle to meet deadlines and as competing government bodies vie to enforce often differing views.

The consultation process alone is laborious. Privatisation proposals must first be reviewed by the relevant supervisory ministry, such as the ministry of industry, in each republic. Approval must then be given by each republic's privatisation ministry within one month.

A National Property Fund in each republic, attached to the two privatisation ministries, was set up this summer to collect the proceeds of the sale of the companies' equity.

The federal ministry of finance oversees the distribution of shares to the public through a voucher programme. Since the beginning of the month, Czechoslovak citizens who are over 18 years old have been able to order vouchers to buy company shares once the privatisation process is completed.

State bodies, enterprises and foreign consultants have to complete more than 1,700 privatisation business plans in less than two weeks, **writes Ariane Genillard**

The Czechoslovak privatisation law, adopted last April, was deliberately left vague to allow all forms of privatisation - vouchers or direct sale - to take place. Companies submitting their privatisation plans are free to sell equity to all forms of buyers, such as foreign investors, local buyers and banks. Three per cent of equity must be set aside to meet the claims of the original owners of the nationalised property. Any equity left over will be distributed to citizens through the voucher programme.

This means that no guaranteed percentage of company equity has been set aside for the general public. As a result, many Czechoslovak citizens have complained that only companies which are not profitable enough to interest foreign investors will be left for the voucher programme.

According to Mr Tomas Jezek, the privatisation minister, nearly 40 per cent of Czech companies, with a value of 194bn Czech crowns (\$6.5bn), have been set aside for the voucher programme. In Slovakia, property valued at about 95bn Czeck crowns (\$3bn) will be distributed through vouchers.

But such numbers are subject to changes as the bulk of proposals are still being evaluated. Mr Jezek, who heads a relatively small staff, added that, as of last week, only 141 projects had been completed and approved for privatisation. "They will just have to stamp all the others if they want to do it by the end of the month," said a government official.

The lack of precise guidelines has also fostered time-consuming debates between the companies and the various ministries involved in the privatisation process.

"There is no co-ordinated policy as to what should be included in a privatisation project," explained a western banker in Prague. "You get individual answers on different problems and when you compare them, they are often inconsistent." According to a close adviser of the finance minister, for example, shares cannot be sold to the management. But such a directive is news to western consultants who have included the sale of shares to management in their privatisation proposals.

"There is a real need for foreign investors to understand these subtle nuances and iron them out instead of assuming there is a mechanical process in place," said Mr Daniel Arbess, a lawyer at the US law firm White and Case, which has an office in Prague.

Attempts by the Finance Ministry to secure as much equity for voucher sales as possible also stems from a desire to curb growing criticism about old-time managers buying up companies.

Attacks against such practices have recently made front page news in the local press, which has voiced concern that small enterprises are falling into the hands of people who gained their wealth under the old regime. The small-scale privatisation scheme which started earlier this year permits small companies to be auctioned as complete entities to Czechoslovak citizens.

In answer to these attacks, the federal government last week agreed to draft legislation within a month which will permit the review of the domestic funds involved in the auctions.

Such a measure, which would slow down the privatisation of small enterprises, has been criticised by Mr Vaclav Klaus, the Finance Minister. "We must go fast and yet remain very careful that there is no backlash in public opinion," warned a government official. "A loss of confidence would ruin the whole process."

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Gatt revives its working group on environment

By William Dullforce in Geneva

THE GENERAL Agreement on Tariffs and Trade (Gatt) is reviving a working group on trade and the environment that has never met since it was established 20 years ago under the chairmanship of a Japanese prince.

The decision taken yesterday by the Gatt council caps several months of debate over differences among Gatt members about how to deal with possible conflicts between trade laws and international efforts to curb pollution and clean up the global environment.

The six countries of the European Free Trade Association in particular have insisted that Gatt pay greater attention to environmental matters.

Gatt has also come under increased pressure from international environmental groups to amend its provisions, since one of its dispute panels ruled that a US ban on imports of Mexican tuna fish violated international trading rules.

The US had applied the embargo under its maritime mammal protection Act because it claimed that the tuna fishing was killing too many dolphins.

Environmentalists saw the tuna ruling as an instance where trade rules thwarted justifiable environmental action. Developing countries fear the invoking by industrial countries of environmental concerns to restrict trade in products crucial to their development.

Restraints on imports of tropical timber, for instance, are justified by the need to preserve rain forests as a protection against greenhouse gas emissions.

The trade-environment dilemma has sharpened in the approach to the Earth Summit - the United Conference on Environment and Development - due to convene next June, at which an international convention to combat global warming and an agenda of programmes to protect the environment are expected to be agreed. Some Gatt members worry that trade concerns may be overlooked at the summit.

When reviving the working group yesterday, the Gatt council discussed a proposal to update its agenda so that the group could:

- examine how the trade provisions contained in existing international environmental agreements conform to Gatt principles;
- assess the transparency and trade effects of national environmental regulations;
- look into the effects on trade of packaging and labelling regulations which are intended to protect the environment.

A new chairman will have to be found. Japan told the council that Prince Kaya, now ambassador in Brazil, was not available.

■ Mongolia and Panama yesterday applied to join Gatt. Japan welcomed the Mongolian application, while the US praised the speed with which the Mongolians are trying to convert their economy into a market-oriented one. The Gatt council appointed working parties to negotiate terms of accession with the two applicants.

Brussels' oilseed subsidy plans attacked by US

THE European Commission's proposed new system for subsidising oilseed producers was attacked by the US in the Gatt council yesterday, William Dullforce reports from Geneva.

The EC promised to reform its oilseeds regime by October 31 after a Gatt disputes panel ruled in favour of a US complaint that its present system of supporting feedstock producers breached Gatt rules.

Mr Rufus Yerxa, deputy US trade representative, said the Commission's new policy would keep EC oilseed producers insulated from world markets. It would maintain a high level of subsidy and extend the support to an even greater acreage than that harvested in 1990-91. The EC rejected the US request that the matter be referred back to the disputes panel. Mr Yerxa said he would return to the Gatt council "for action" in November.

Asean takes first step to regional customs grouping

By Lim Siong Hoon in Kuala Lumpur

MINISTERS of the Association of South East Asian Nations (Asean) yesterday took the first step towards a regional customs union by formally announcing the setting-up of the Asean Free Trade Area (AFTA).

The accord, between Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, gives the group 15 years to create a single Asean market. Present population is 320m. AFTA marks a shift in Asean's emphasis since its creation 24 years ago as a non-aligned, regional political bloc with the aim of staying clear of East-West power politics.

For the past year, it has been seeking a new economic role, to establish a single voice in world trade matters, as shown by Malaysia's initiative for an East Asian Economic Grouping (EAEG). The US has declared it would not oppose AFTA. Asean ministers will be facing Ms Carla Hills, US trade representative, today for talks covering issues including those affecting Gatt's Uruguay Round.

Ms Rafidah Aziz, Malaysia's international trade minister, has described the new initiative, first proposed by Thailand, as "workable and realistic".

There are limitations on AFTA. An Asean communiqué listed only "manufactured products" as eligible for a common and lower (up to 5 per cent) tariff regime called the Common Effective Preferential Tariff (CEPT). This now covers almost 900 items, most of them irrelevant to the Asean economy.

Approved yesterday for inclusion in the common tariff list were eight categories of products. Most of them, such as breakfast cereals and chocolate wafers, are to be made under a project to establish plants in all the countries except Brunei.

By using only manufactured products as the basis for establishing a customs union, Asean countries will avoid sensitive economic sectors such as commodities which continue to command a large portion of their economies. Asean's export trade has grown 86 per cent in the past decade.

Cocom trading status for HK

THE US intends to grant separate Cocom trading status to Hong Kong, which currently receives such benefits as being part of Britain, a UK consulate spokesman said, AP-DJ reports.

Cocom (Co-ordinating Committee for Multilateral Export Controls) status allows states to import controlled high-tech goods and other strategic items without special licences, and entitles members to speedy treatment when applying to import more sensitive items that still require special permission.

OECD export credit rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates for officially-supported export credits (September rates in brackets): FRENCH FRANC 10.26 (10.46); GUILDER 9.90 (same); ITALIAN LIRA 12.24 (12.41); YEN 6.70 (7.30); PESETA 12.58 (13.09); STERLING 10.68 (11.09); SWISS FRANC for credits of less than eight years 8.30 (same); for credits of more than eight years 8.55 (same); US DOLLAR for credits of up to five years 8.04 (8.33); for credits of over five years 8.44 (8.73).

A premium of 0.2 per cent is to be added to the Commercial Interest Reference Rates (except for the Swiss franc and US dollar) when fixing at bid.

These rates are published monthly by the Financial Times, normally around the middle of each month.

They apply to all export credits, except that on those to middle-income and poor developing countries the OECD matrix rate can be used if lower.

This is a standard set of rates reviewed twice a year, in January and July.

Caricom falters on road to union

Some members are not meeting their deadlines, Canute James writes

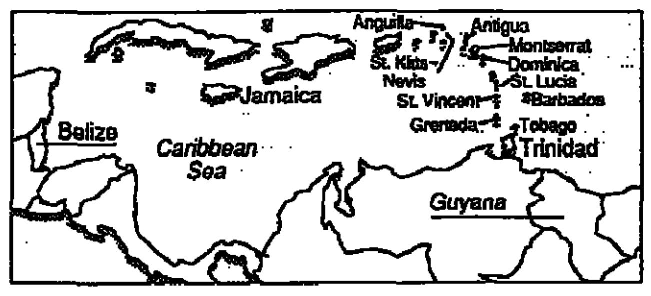
THE efforts of the Caribbean Community (Caricom) to create a customs union this year, and then move to a common market in just over two years, has suffered a setback.

Some members have not met this month's deadline for implementing a common tariff on imports from third countries.

It is the third deadline which the community's members have missed to create the customs union, and there is now increasing doubt it will ever be set up.

Twelve of the community's 13 members (the Bahamas is not a signatory to the trading arrangements) undertook to implement the common tariff this year. At their July summit, only seven had done so, with the others agreeing to do it by October 1.

St Lucia and Antigua have said they will delay implementing the new tariff regime, based on domestic concerns. St Lucia's business sector had argued the common tariff would hit the island's economy. But smaller Caricom members have been concerned for some time their economies would be damaged by the new tariff structure, though their governments had agreed to it.



Caricom is made up of the region's English-speaking countries, including Belize in Central America and Guyana in South America. The community was set up in 1973, to strengthen its members' economies through increased regional trade and a common approach in trade negotiations with third countries. It has a market of 5.5m people; its ultimate aim is for a common market and a monetary union.

"This setback will affect the movement to a free market," Mr Hayden Blades, director of trade at the community's secretariat, said. "There is no hope of establishing a single market or a common market without the common external tariff (CET). The tariff is a basic requirement. The region must now decide what it wants to do with the community." The tariff promises low rates of duty on imports not competing with goods produced in the community, but sets high rates on imports likely to injure domestic industry.

Under the new tariff, the highest rate of duty in the community will be 45 per cent, the lowest 5 per cent, replacing a structure where tariffs ranged from 5 to 70 per cent. Rates will differ where the imports are raw materials or finished products. Farm products will be protected, with inputs for agriculture subject to low tariffs.

"We have informed the Caricom secretary-general we will not be rushing into the common external tariff," said Mr John Compton, prime minister of St Lucia. St Lucian business groups have said the new regime will boost the cost of living. But Mr Percival Marie, trade director for the Organisation of Eastern Caribbean States, a Caricom sub-group, said the tariff's effect on St Lucians would be small.

"We are probably looking at a maximum 0.5 per cent increase in the cost of living, arising primarily from the CET, assuming there is no trade diversion," Mr Marie said. Creation of the Caricom customs union has been seen by all members as fundamental to increasing the value and volume of intra-community trade. Trade among Caricom states fell by half in value between 1981 and 1986 before a recovery began and continued into last year to reach a value of $481m (£276.40m). But this was still 7 per cent below the value of trade in 1980.

Concern seems to be growing that creation of the customs union, without implementing other measures, such as common fiscal incentives and a mechanism to speed trade payments, will disadvantage smaller members.

Rows have erupted between exporters in Jamaica and Trinidad and Tobago, the community's largest members, about delayed payments. The community faces a unique problem, because none of its six currencies are convertible.

The problem of trade payments has been complicated by deregulation of foreign exchange markets in Guyana and Jamaica, with consequent depreciation of their national currencies.

Despite these concerns, there appears to be general admission that the Caribbean will be left behind unless it can take steps such as implementing the common tariff.

Exporters to Kuwait may soon be obliged to invest there

By Victor Mallet, Middle East Correspondent

BIG EXPORTERS to Kuwait may soon be obliged to invest there as part of an embryonic "offset" programme promoted by the Kuwait International Investment Co (KIIC) and Bank of America.

The European Airbus consortium, which has a letter of intent from Kuwait for the purchase of up to $2bn (£1.1bn)-worth of aircraft but faces stiff competition from Boeing, is likely to be the first target of the offset proposals.

Mr Jassim al-Bahar, KIIC chairman, said yesterday the Kuwaiti government had already given approval for offset to be applied to Kuwait Airways Corporation. "We'll have discussions with KAC next week," he said.

Airbus acknowledged offset was a requirement in sales to some airlines, but denied it applied to the Kuwaiti deal. "There is no offset involved at all in the deal with Kuwait Airways," an Airbus spokesman said. Neither KAC nor Bank of America were immediately available for comment.

Exporters generally dread the bureaucracy and the element of coercion involved in offset, particularly when they have to deal with investments in unfamiliar sectors, but Kuwait is keen to rebuild its economy after the Gulf war.

Mr al-Bahar said the idea of offset had been welcomed by Sheikhs Jaber and Saad al-Sabah, the Emir and Crown Prince, but the extent of finance ministry and the central bank support remains unclear. Offset, he added, would contribute to the government's attempts to privatise state industries and services such as telecommunications, but foreign companies are not allowed to hold a majority stake in a Kuwaiti businesses.

Kuwait would be flexible about the proportion of contract value an exporter would be expected to invest in the Kuwaiti economy. "We're here to attract the foreign supplier, not scare him. We're not interested in levying a very high charge on an exporter so he runs away from us."

Kuwait is unsuitable for offset investment because of its small population and lack of non-oil business. "The only thing in which it is at all conceivable is an aircraft deal," one UK businessman said, suggesting Airbus might be persuaded to provide some maintenance facilities in Kuwait.

Traffickers pay price of Iran's draconian drug crusade

By Scheherazade Daneshkhu

RELIGION may be the opium of the people, but it has not stopped Iran's Islamic Republic having one of the highest drug addiction rates in the world.

Scarcely a week passes without people being executed for drug offences, while more than 60 tonnes of drugs were seized in the two years to March.

The government has redoubled its efforts against drug use and trafficking since the end of the Iran-Iraq war. It claims that about a quarter of the 1m addicts have given up drugs since 1989.

Despite these apparent successes, President Hashemi Rafsanjani's government has announced a five-year plan to combat drugs, working with the United Nations to annihilate poppy fields and destroy drug laboratories in neighbouring countries.

Opium-smoking was a traditional activity in Iran until the Shah outlawed poppy cultivation for opiates in 1955. Fourteen years later he granted licences to some growers and allowed registered opium addicts to have limited supplies. But by then heroin had begun to penetrate the country. Today, one third of drug addiction is to heroin, the rest to opium.

When Ayatollah Khomeini came to power in 1979, he again banned all opium cultivation and declared the use of all stimulants illegal. Nevertheless, it appears there still is some production in the remote south-east, although most drugs come in from Afghanistan and Pakistan. Moreover, Iran is on the drugs trafficking route – the golden crescent – from these countries into Turkey and Europe.

According to Mr William Beachner, senior director for operations at the Vienna-based United Nations International Drugs Control Programme, the drugs are brought into the country by armed men in small groups of caravans. Mr Beachner describes Iran's attempts to stop trafficking as "very impressive".

Most of the efforts are directed at preventing drugs from crossing the border. The Iranian drugs squad is setting up 100 outposts along the border with Afghanistan and Pakistan and is building a road along the frontier to make patrols easier. The government is also trying to block the main passes from its eastern neighbours by putting up concrete barriers. "No other developing country, other than Colombia, is putting in this kind of investment," said Mr Beachner.

Officials appear to agree that one reason for Iran's relative success in combating drugs has been its use of draconian punishment.

In 1989, the authorities established the death penalty for anyone found possessing 30 grammes of heroin or 5kg of opium. Between January 1989 and June 1990, Amnesty International recorded over 1,100 executions, usually public hanging, for drug offences, most of which, according to the human rights organisation, followed summary trials.Iran has argued that anything less than the death penalty would not deter traffickers. Opposition groups accuse the government of using drugs crime to mask political executions.

Drug addicts are rounded up and sent to one of 17 rehabilitation centres through which 40,000 addicts pass every year. There the addicts, mainly aged 35 to 45, undergo "cold turkey" detoxification in which no medicine is administered to ease the process. The government claims a 90 per cent success rate.

However, Mr Anthony Henman, adviser on drugs policy to the Green group in the European parliament, is critical of the methods used. "They try to break down the character by making the person feel worthless and then tell them they can save themselves by embracing Islam. It is vile that the United Nations should give any credibility to this form of brainwashing," he said.

The rewards for trafficking are high. Earnings from selling heroin in Iran are said to be 700 times higher than in Afghanistan and even greater in Europe. As a result, trafficking is Iran's biggest economic activity after oil production.

Opposition groups say one reason drug addiction has mushroomed in Iran is because the government itself has a hand in the drugs trade. Mr Abol Hassan Bani-Sadr, the first president of the Islamic Republic, says the government turned to drugs to help finance the war against Iraq and that drugs money has been laundered through BCCI branches in Abu Dhabi. There is no independent evidence of this.

On the other hand, Mr Mokhtar Kalantari of the anti-narcotics task force blames the CIA, zionism and freemasonry for promoting and distributing drugs.

Egypt unifies exchange rates

By Tony Walker in Cairo

EGYPT has unified its competing rates of exchange in a single market, thus complying well ahead of schedule with an important requirement of the International Monetary Fund.

The market virtually ignored the new arrangements yesterday as currency dealers assessed their likely impact. The Egyptian pound remained stable at 3.31 to the dollar.

Under the new foreign currency code a central bank method used to calculate the cost of imports for budgetary purposes has been phased out.

The value of the pound against foreign currencies will now be determined by transactions in a single market with the aim of making the pound a freely convertible currency internationally.

Bankers and economists welcomed the accelerated move to a single market in which central bank interference will be restricted to buying and selling.

Under the terms of an IMF agreement, signed in May, Egypt was obliged to unify its exchange rate by February 1992. It has moved more quickly because of the success of its tight money policy in stabilising the value of the pound.

Another important factor is that the central bank has built up a reserve of some $8bn to intervene in the market should the pound come under pressure.

● The African Development Bank (ADB) will lend Egypt $140m to help reform its economy and boost its balance of payment, a bank official said yesterday, Reuter reports from Cairo.

The loan carried a 7.6 per cent interest rate and would be paid over 15 years, including a four year grace period, according to a bank spokesman.

The loan accord with the ADB follows Egyptian moves to reform the economy in line with agreements reached earlier this year with the World Bank and the International Monetary Fund.

ANC leader warns over loans to South Africa

By David Waller in Frankfurt

MR Thabo Mbeki, a senior official of the African National Congress, said yesterday the South African government should consult the ANC before entering into loan agreements.

"It is better that the government does not unilaterally enter into agreements at this stage," he argued, "it creates a situation where a future democratic government might have to look at them and renegotiate," Mr Mbeki, ANC secretary for international affairs, told an audience of European businessmen. He reiterated the black opposition group's controversial line that a future black majority government in South Africa would have the right to review loans made by foreign lenders to the existing government.

He also spelt out that nationalisation of important sectors of the South African economy was one of a "basket of options" for the restructuring of the economy under any ANC-dominated government.

While the ANC was in no way "ideologically committed" to nationalisation, it would be considered as one possible method of achieving a redistribution of wealth in South Africa. Last month South Africa finalised its first public debt issue since 1985, raising DM200m (£69m)-DM250m via a bond issue lead managed by Deutsche Bank in Frankfurt.

Bankers attending yesterday's investment conference in Frankfurt suggested that the ANC's attitude would make it more difficult for the South African government to raise money from the Eurobond markets in the future. "We have no final definite economic programme as yet," he explained, "we could well come to the conclusion that publicly-owned businesses should be privatised ... and we will look at US anti-trust legislation to see whether it would be relevant."

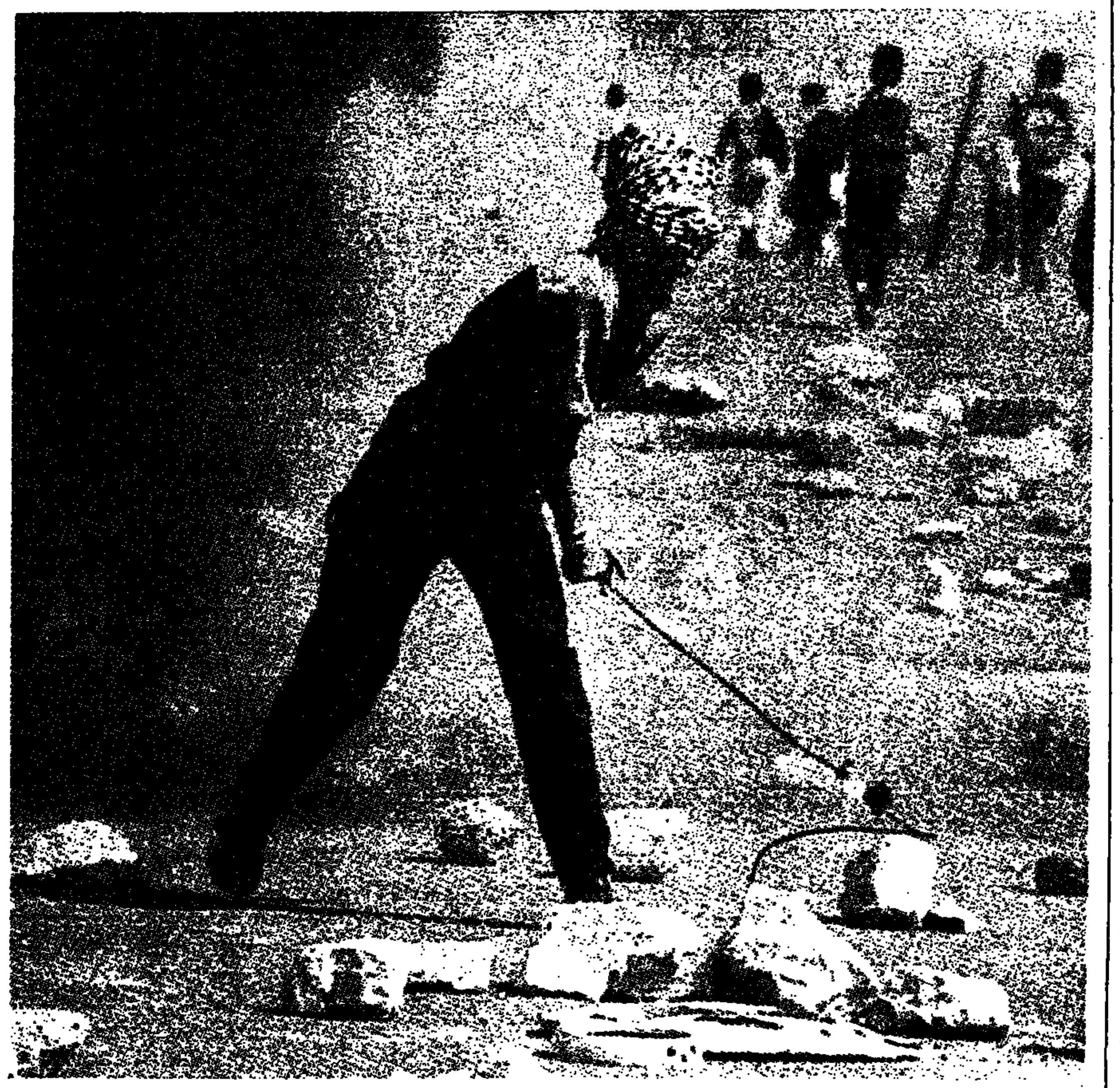
Mr Mbeki's remarks come days after Mr Nelson Mandela, ANC leader, shocked South African businessmen by reverting to talk of nationalisation of mines and banks as an option for redistributing wealth.

Shortly afterwards, Mr Cyril Ramaphosa, the organisation's general secretary, said that a future black-dominated government would not consider itself bound to repay debts incurred by previous white-elected governments.

The South African government and the African National Congress yesterday traded insults over the massacre on Monday of 18 ANC supporters, Reuter reports from Johannesburg.

Gunmen fired into a 15,000-strong crowd marching home from the funeral of assassinated ANC official Sam Ntuli, killing at least 18.

The shooting and the prospect of reprisal attacks have cast doubt on the effectiveness of the peace accord between the government, the ANC and Inkatha.



Troops placed on alert to counter Temple Mount violence

Anniversary reopens Palestinian wounds

ISRAELI security forces blocked gates and peered from rooftops yesterday as Palestinians prayed on Temple Mount to mark the first anniversary of the police killing of 18 Arabs, Reuter reports from Jerusalem.

Intense security, a ban on Palestinians entering Jerusalem from the occupied West Bank and Gaza Strip and Arab fears of a repetition of last year's shootings restricted the number of worshippers to about 500 – a tenth of the total who attend regular Friday prayers at the Al-Aqsa Mosque.

In the nearby West Bank village of Arram, the brother of an 18-year-old youth killed on Temple Mount last year was shot and wounded by Israeli troops during the night.

An army statement said a masked man was wounded while throwing an axe at soldiers.

Palestinians said he was shot by an undercover unit.

Israel took extreme precautions for the anniversary of the violence on the Temple Mount, the worst between Israelis and Palestinians since the Jewish state captured East Jerusalem and the rest of the West Bank in 1967.

Prime Minister Yitzhak Shamir reiterated on Monday that Israel would never leave the Arab half of the city, which Arabs want as the capital of a future Palestinian state.

Groups of regular and paramilitary border police manned corners throughout East Jerusalem, paralysed by a general strike called by Arabs to mark the anniversary. But this failed to stop youths hurling rocks in the Anatha district of East Jerusalem (pictured above).

Inside the Old City, police admitted the elderly but took the identification cards off Arab youths before allowing them into Temple Mount, a site sacred to both Jews and Moslems.

Inside, guards were dotted around the compound and well-armed police watched from the tops of buildings overlooking both Temple Mount and the adjoining Wailing Wall revered by Jews.

"It's a pity that the Israelis prevented Moslems from entering their mosque," said Sheikh Mohammed al-Jamal, director of the Islamic courts based on the Temple Mount.

"As you see the mosque has been turned into any army barracks," he said, pointing at the soldiers who appeared to outnumber worshippers.

After a reading from the Koran echoed over the compound through loudspeakers, Moslem clerics switched off the amplifiers and prayers were said quietly inside the cavernous eighth century mosque.

Two United Nations observers and medical teams were present in case of a repetition of last year's clash, which drew international condemnation of the Jewish state.

A judge said in July the violence was started not by Palestinians but by police who accidentally dropping a teargas grenade.

Indian interest rates rise to 20 per cent

By David Housego in New Delhi

THE Indian monetary authorities raised interest rates sharply yesterday in an effort to curb strong inflationary pressures in the economy.

The Reserve Bank of India (the central bank) raised the prime commercial borrowing rate by 1.5 percentage points to 20 per cent. Short-term deposit rates were also raised by 1 point to 12 per cent.

The moves come in the wake of warnings by Dr Manmohan Singh, the finance minister, that he would deflate the economy if industry failed to bring price increases under control.

The year-on-year inflation rate, as measured by the wholesale price index, has climbed to more than 15 per cent – double the rate a year ago. Recent inflationary pressure has come from the 20 per cent devaluation of the rupee in July and import shortages imposed by the balance of payments crisis.

Though there are signs that the inflation growth has been flattening out in recent weeks, this in part reflects a refusal to allow the electricity, coal and and steel industries to increase prices. The government wanted to avoid further sensitive price increases before by-elections in the middle of November.

The interest rate increases carry the risk of pushing the economy closer to recession. Industrial production dropped during the April-July period when the general election added to disruption.

Official forecasts are of a rise of 3 per cent in real GDP in this financial year – though this now seems increasingly unlikely.

In announcing the interest rate increases, the Reserve Bank warned of "strong inflationary pressures" and said it was "imperative to bring about a significant slowdown of monetary expansion".

Kurds agree ceasefire with Iraqis

By John Murray Brown in northern Iraq

KURDISH and Iraqi military leaders yesterday agreed a ceasefire in northern Iraq after four days of fighting.

The move came as Kurdish civilians headed for the Iranian border, prompting warnings from UN officials of another refugee exodus.

Iraqi forces yesterday shelled Kurdish settlements for a fourth day, although Baghdad claimed the attacks had stopped.

Lights from a stream of lit up roads as Kurds fled to the mountains, many repeating their flight of last spring when President Saddam Hussein crushed the Kurdish uprising.

Under the ceasefire terms, Iraqi forces are obliged to withdraw from positions taken over the past four days and soldiers on both sides will be released. The Kurds, however, insist that this release will only take place when Baghdad has freed all political prisoners.

The opposing forces today are also to return weapons taken in the fighting.

In London the Kurdish Democratic Party deplored the reported massacre by Kurds of up to 60 unarmed Iraqi troops.

Lack of cash strands Soviet ships

THIRTEEN Soviet merchant vessels are stranded outside the Suez Canal because no money transfers have been received to pay the transit tolls, a canal official said yesterday, Reuter reports from Cairo.

The vessels arrived over the weekend and are docked at the northern approaches to the canal.

Fifteen other Soviet vessels which had arrived since September 29 went through the canal yesterday after their agents paid the transit fees, he added.

"It is not unusual for ships to wait for money transfers but this is the first time such a large number of Soviet ships are involved," the official said.

Mr Viktor Pilipenko, the head of the Association of Soviet Shipowners, said in an article in Moscow last July that the country's merchant fleet was on the brink of collapse through lack of government support.

Bank of Korea sets 10% inflation target

By John Ridding in Seoul

MR KIM KUN, governor of the Bank of Korea, yesterday said that South Korea's inflation rate would be kept below 10 per cent this year, but warned that control of the money supply and price increases would be more difficult in 1992.

The central bank governor said inflationary pressures would increase next year as a result of raised public sector expenditure on infrastructure projects. But he expressed confidence that consumer price inflation would still be kept to single digits.

Inflation, which is running at an annualised rate of 9.3 per cent and which saw the consumer price index rise by 8.9 per cent between the beginning of January and the end of September, has been one of the economy's most serious problems this year.

But Mr Kim said that control of the growth rate of M2 – notes and coins in circulation plus bank deposits – to between 17 and 19 per cent in the fourth quarter, together with the effect of this year's good harvest on prices of agricultural products, would ease inflationary pressures in the remainder of the year.

With respect to the process of reforming South Korea's tightly controlled financial markets, Mr Kim said that plans for liberalisation had "passed the point of no return". But he stressed that the process should be implemented step-by-step to reduce instability in financial markets and that a number of institutional changes were required to allow the government to move from a system of direct credit and monetary control to an indirect system.

Mr Kim said that monetary stabilisation bonds, one of the principal tools employed by the government in controlling the money supply, were becoming increasingly less effective.

Thailand gloomy on outlook for economic growth

Peter Ungphakorn analyses Bangkok's economy on the eve of IMF/World Bank conference

THAI PLANNERS are expecting the country's economic growth rate to decline over the next five years because of the world's slow economic recovery and the possibility of increased protectionism if world trade talks fail.

But the target of 8.2 per cent average annual growth of gross domestic product (GDP) over the five years beginning this month, when the latest national plan takes effect, would still be high compared with many other countries, and compared with much of Thailand's own experience.

Officials stress that the rate is also "moderate" because of the emphasis on continued fiscal and monetary discipline to avoid inflation, balance of payments problems and debt.

For the past two years, the government has set balanced budgets. And although the trade deficit in goods and services is expected to reach 8.5 per cent of GDP this year, foreign exchange reserves are high at about $17bn (£9.7bn), worth five to six months of imports. Judging by recent history, the actual growth rate could turn out to be quite different, however. For the five years since 1986, when the calculations were based on the recession of the mid-1980s, the growth target was at least 5 per cent per year. The rates achieved were actually more than double the target, averaging 10.5 per cent.

With Thailand's imports and exports together worth 80 per cent of GDP, achieving the latest growth target will partly depend on the health of world trade, and partly on how much of the slack can be taken up by the rapidly expanding domestic economy of 57m people.

By the end of 1996, per capita incomes are targeted to have increased from the present Bt41,000 (£942) to Bt71,000. During the previous plan, average incomes doubled.

Continued growth with economic stability is one of the key features of the Seventh National Economic and Social Development Plan which came into effect on October 1.

In Thailand's free enterprise system, economic plans are "indicative" rather than compulsory. Their prescriptions are not always followed. But they do reflect government thinking and can be used as a yardstick to measure policy and economic performance.

The seventh plan, the first to have been drafted with the active participation of the private sector, envisages further liberalisation of an economy that is already considerably oriented towards private business. Further cuts in Thailand's once notorious red tape are planned.

For the first time, six "strategic" industries, in which Thailand is thought to have a comparative advantage, are identified for special government support. They are: agro-industry and food processing, textiles and garments, electronics, metal-based manufacturing such as auto-assembly and machinery, petrochemicals, and iron and steel.

The type of support envisaged ranges from the removal of barriers protecting local car assembly to short-term mild protection for iron and steel. The plan also emphasises three problems that are becoming increasingly serious in Thailand: worsening inequality between rich and poor, shortages of graduates and other well-qualified workers, and a deteriorating environment.

The civilian government of technocrats and businessmen appointed after the February 23 military coup has repeatedly been accused of failing to appreciate the problems of the poor.

The share of income earned by the richest 20 per cent of the population is estimated to have increased from 49.3 per cent in 1975-76 to 54.9 per cent in 1987-88. The share going to the poorest 20 per cent has dropped from 6.1 per cent to 4.5 per cent.

Officials argue that continued strong growth will allow improvements in income distribution, provided the government takes the necessary action. Their main emphasis is on rural development, but they also predict worsening urban poverty. Agriculture still employs about two-thirds of the population. Farm production is only expected to grow at an average rate of 3.4 per cent per year during the plan.

One economist who helped draft the plan, Dr Supachai Panitchpakdi, president of the Thai Military Bank and former deputy finance minister, warned that the targets assume a considerable narrowing of the gap between savings and investment.

One of the most difficult tasks could be to increase the country's savings in order to meet the needs of investment, he said. The alternative would be to cut investment, which would delay much needed improvements in infrastructure and production capacity.

Over the past five years, the savings shortfall and current account deficit are estimated to have caused borrowing of $20bn, a large portion of the $26bn debt outstanding at present.

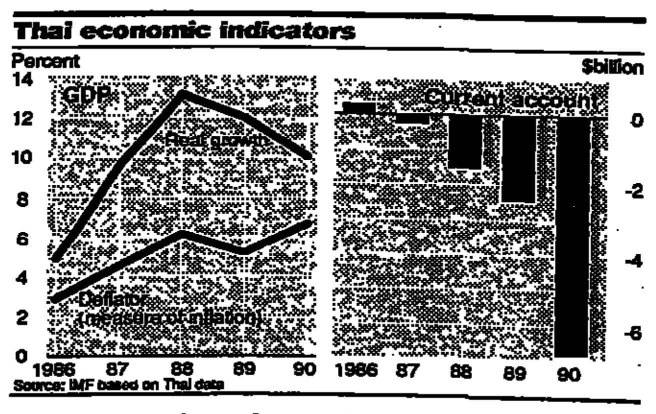
Thailand needs to bring its current account deficit down through cautious fiscal and monetary policies and measures to stimulate both exports and private savings, according to a recent study by International Monetary Fund economists, writes Alexander Nicoll.

In a paper entitled Thailand: Adjusting to Success – timed to coincide with IMF/World Bank annual meetings in Bangkok – the economists note that the deficit is a natural consequence of Thailand's rapid industrialisation, has been due to booming private sector investment and not public sector deficits, and is more than financed by capital inflows. However, if allowed to continue at present levels, it would increase foreign debt and the country's vulnerability to external shocks.

The economists also say that Thailand must act to relieve strains on its domestic infrastructure and labour markets.

Thailand: Adjusting to Success. Occasional Paper 85, International Monetary Fund, Washington. $10.

Thai economic indicators



Source: IMF based on Thai data

INTERNATIONAL NEWS

Chinese capitalist seeks happy ending

Yvonne Preston reports on the party man who threw away the state's 'iron rice bowl'

THERE is no freedom of speech in China and the subject of this interview must remain anonymous. One of a new breed of Chinese entrepreneurs, this year he gave up the security of a lifetime job with the state sector to run his own private business. He is not a dissident in the activist sense, but he sees no future in socialism.

"We are waiting," he says. "Change is happening in the world and China cannot resist it."

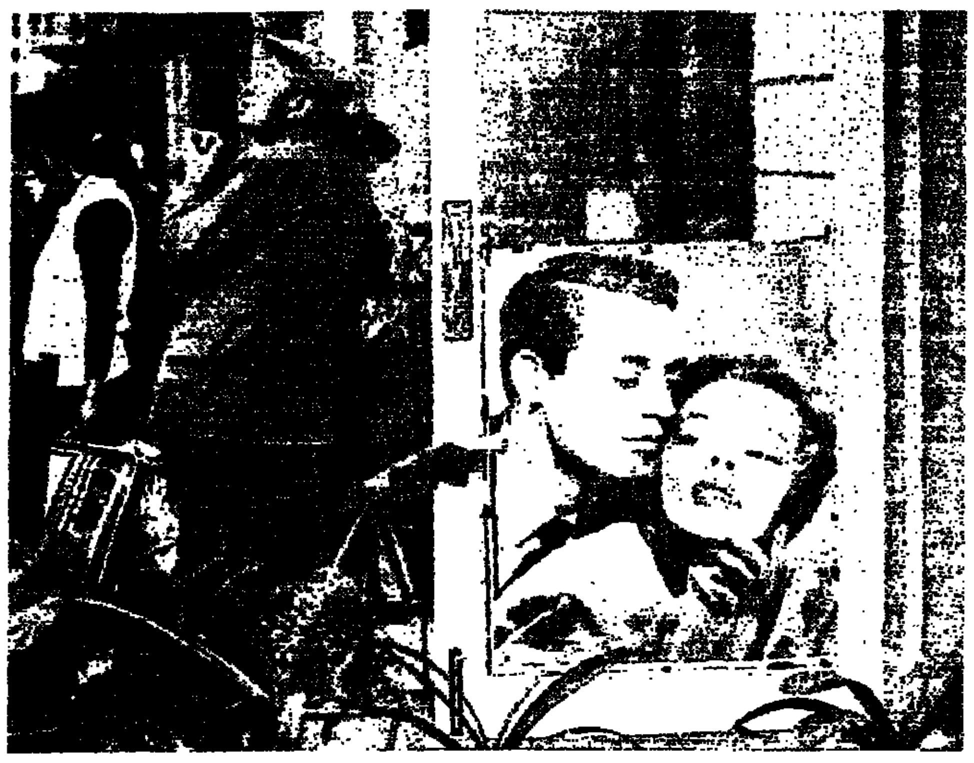
Born in 1949, the year of the revolution, he has known no other system but communism and has never been outside China. He spent 20 years in the army and three as a senior cadre in a government ministry, working at a high level in the bureaucracy, advising leading officials, dealing with their daily affairs, writing their speeches.

Bored, frustrated and unable to realise his potential, he resigned and started a business selling computer hardware.

The views he articulated in a two-hour interview give an insight into the thinking of many ambitious, youngish, educated, urban Chinese, and show how far removed they are from China's ageing revolutionaries, clinging to power and a discredited philosophy now cast aside by all but China, North Korea, Vietnam and Cuba. "Conservative and feudalist," he called them.

He has been a member of the party for 23 years. It is his "umbrella – nothing to do with belief". His wife, parents and wider family are all party members. He would like to quit but by doing so would attract attention to himself and somebody would be assigned to watch him.

He says socialism and public ownership cannot stimulate people's enthusiasm. Bureaucracy and corruption are unavoidable and the result is universal poverty. Nobody takes responsibility. State workers moonlight in the private sector. Salaries are low.



Like this hairdresser's, Beijing's private sector has become a magnet for disillusioned communists

As a senior cadre he earned yuan 200 ($50) a month and now makes 10 times as much.

A lot of people, including his wife who works in the state sector, didn't understand his decision to quit a safe job with a promising future to take a chance in an uncertain world. Many people are quite happy with state salaries and an idle life, eating from the "iron rice bowl" of lifetime job security. "The facts prove the state sector will shrink. South Korea, Hong Kong, Taiwan and Singapore have all developed very fast with private ownership and a market system. In those parts of China where there is a lot of private industry, like southern China, the economy booms," he said.

In his business he employs seven people, including a moonlighting university professor. It cost him yuan 30,000 to set it up, money he saved from working a second job while in the public service and from the proceeds of a novel he wrote which sold 20,000 copies.

He laughed at the idea that he could raise money from the bank. Chinese banks don't lend to private business, he said.

He is making much more money but there are many problems. The state does not smile kindly on private business, tolerating it as a temporary measure to soak up unemployment. "Basically speaking, they dislike it."

Officials are always looking for trouble. They preach the regulations, fine him for poor sanitation or because he fails to pay taxes on time. He is obliged to make donations to disaster funds, for building city roads and to wine and dine officials to keep them off his back. He pays 10 different kinds of taxes and there is no preferential treatment.

"It is a problem for them. If they encourage private business the state sector will decline faster." They could always close him down; he has made preparations.

He hopes China will take the road of the Soviet Union and change. He says there is a fundamental conflict between the notion of Deng Xiaoping to combine economic reform with the four cardinal principles of Marxism, Leninism, Mao Zedong's thoughts and taking the socialist road. Deng has already died in the minds of the young, he says.

His personal ambition is to develop his business, earn more money and make his contribution to the change that will come in China. Economic change must lead to political change. The market economy makes change inevitable. He hopes his teenage daughter will have ability and talent and not talk about the party. The party is no use.

"I want to realise my value. No value, no business. In life you want to do something for the world."

"Today it is the Soviet Union. Tomorrow it will be China," he stated.

At times his enthusiasm for private enterprise and the free market seems to rival the old misplaced and disproportionate faith in the miracle working powers of the party. The fallacies of an unstinted belief in the market, exemplified by the values of the 1980s, do not enter his thinking.

What about social welfare and the philosophy of collective support for the less able and the less advantaged? He will have none of it. He is a true believer in market forces alone solving all problems. He says you don't need welfare benefits when you can make money in the private sector.

Democracy and a multi-party system will come to China, he fervently believes. It may be swift and sudden, as in the Soviet Union, or it may be gradual, the "peaceful evolution" process which so concerns the Chinese leadership. "We don't need to go through a civil war, like the war between the Guomindang and the Communists. Turmoil and unrest are bad for China. Some local unrest is likely, but large-scale nationwide turmoil is very bad for the country."

He has warmed to his theme. "Change will come. China knows the world. Many people have gone abroad. There are many Chinese students overseas. Lots of people have relatives in Taiwan and Hong Kong, and they come to China. We hear the Voice of America broadcasting in Mandarin."

This is a waiting time for China. Reform is in stalemate. Octogenarians cling to power, fighting over the reform process, now deadlocked. The economy is in limbo. "We are waiting," he says, and all over this vast country there are people like him.

Bank of Korea sees inflation below 10%

By John Ridding in Seoul

MR KIM KUN, governor of the Bank of Korea, yesterday said South Korea's inflation rate would be kept to below 10 per cent this year, but warned that control of the money supply and price increases would be more difficult in 1992.

The central bank governor said inflationary pressures would increase next year as a result of raised public sector expenditure on infrastructure projects. But he expressed confidence that consumer price inflation would still be kept to single digits.

Inflation, running at an annualised rate of 9.3 per cent (the consumer price index rose by 8.9 per cent between the beginning of January and the end of September) has been one of the economy's most serious problems this year.

Mr Kim said control of the growth rate of M2 – notes and coins in circulation plus bank deposits – to between 17 and 19 per cent in the fourth quarter, together with the effect of this year's good harvest on prices of agricultural products, would ease inflationary pressures in the remainder of the year.

On reform of South Korea's tightly controlled financial markets, Mr Kim said plans for liberalisation had "passed the point of no return". But he stressed the process should be implemented step-by-step to reduce instability in financial markets. A number of institutional changes were required to allow the government to move from a system of direct credit and monetary control to an indirect system, he said.

Mr Kim said monetary stabilisation bonds, one of the principal tools employed by the government in controlling the money supply, were becoming less effective because interest payments on the bonds – which generally have a maturity of less than one year – had become an important factor in increasing the money supply. There was a need for increased issues of longer-term bonds and an expansion in the government bond market.

Bangladesh president elected

THE Bangladesh parliament yesterday elected Mr Abdur Rahman Biswas, a former parliamentary speaker, as the country's new president, Reuter reports from Dhaka.

Mr Biswas, 65, defeated the opposition Awami League nominee, Mr Badrul Haider Choudhury, a former supreme court chief justice, by a landslide 172 to 92 votes in the 330-member parliament.

Prime Minister Begum Khaleda Zia said she was happy at the election results.

"It is a great day for us because it consummates our transition to democracy", she said.

The presidency became a ceremonial post after Bangladesh reverted to a parliamentary system of government last month, ending 16 years of presidential rule and military dictatorship.

Mr Biswas, the Bangladesh Nationalist party nominee, was expected to take over from acting president Shahabuddin Ahmed tomorrow, a presidential aide said.

Hanoi urges US to end years of hostility

VIETNAM yesterday urged the US to drop its hostility to the Hanoi government, Reuter reports from Hanoi.

Vietnam has tried to meet US conditions for lifting its trade embargo and normalising ties, Mr Nguyen Manh Cam, the newly appointed Vietnamese foreign minister said. He blamed Washington for repeatedly changing those conditions.

"In the process of normalisation of relations between Vietnam and the United States, we have been doing our best. The problem is now the US side should take steps to match our steps," he said.

Five decades of war in Indochina, beginning with Japanese occupation and Vietnamese resistance to French rule, are expected to end officially when Cambodia's warring factions sign a peace agreement in Paris later this month.

Mr Cam called on Washington to drop its 27-year-old economic sanctions against Hanoi.

"I think it's time...for the normalisation of relations between Vietnam and the United States," he said.

"I find that the American side has raised a number of conditions. Once these conditions have been met, they put forth other conditions. If such a thing continues, it is difficult to settle [normalisation]," he said.

Washington had said it would normalise ties after Vietnam withdrew its troops from Cambodia, said Mr Cam. Vietnam invaded Cambodia in late 1978 to oust the bloody Khmer Rouge.

After Vietnam withdrew its troops in 1989, the US said Hanoi must help to bring peace to Cambodia. Washington was wrong to link US-Vietnamese relations to Cambodia, he said.

Last month President George Bush renewed the embargo that Washington first imposed against Hanoi in 1964.

In a four-part proposal last April, Washington said it would only normalise ties after Hanoi accounted for US servicemen missing from the Vietnam war, and ensured elections, a new parliament and a new constitution in Cambodia.

NZ premier in the nuclear firing line

An about turn on nuclear warship policy would create a furore, reports **Terry Hall**

NEW Zealand's powerful anti-nuclear lobby is gearing up for a confrontation with the National party government of Mr Jim Bolger, the prime minister, following hints it is keen to allow visits by US nuclear-powered warships.

The six-year refusal of the previous Labour government to allow either nuclear carrying or powered ships to visit New Zealand led to the effective break-up of the Anzus defence pact linking New Zealand with Australia and the US. It also led to strains with other former close military allies.

The UK sent a Royal Marine band instead of a ship to take part in the New Zealand navy's current 50th birthday celebrations while the US navy ignored the occasion, in spite of being active in New Zealand in the second world war.

Labour enshrined the anti-nuclear ban in law in 1987 after public opinion polls showed the electorate was overwhelmingly in favour of a complete ban. Initially opposed to the ban, in the run up to last year's elections the National party pledged that it would not change the law.

This promise led to the resignation in opposition of Mr Don McKinnon, who was subsequently appointed deputy prime minister and minister of foreign affairs.

Mr McKinnon, the son of a retired general, was educated in the US and has repeatedly spoken of the need for New Zealand to rethink the policy and the need for close defence ties with the western alliance.

Main protagonists: Mike Moore, Labour leader (left); Jim Bolger, premier (centre) and David Lange

Mr McKinnon's diplomacy appeared to pay off last month when President Bush had a surprise 30-minute meeting with Mr Bolger in New York after both had addressed the United Nations.

This was the first such high level meeting between the two governments since 1984 when ties were severed.

President Bush's decision to remove nuclear weapons from warships was warmly welcomed by Wellington with ministers seeing it as a way to resolve the Anzus row.

Mr Bolger said the nuclear disarmament agenda was dramatic, and was a way of resolving the anti-nuclear issue. He said the government should be as "bold as Bush" in settling the issue. He wanted New Zealand, Australia and the US working together again in a co-operative forum, and Anzus, the traditional one, would be a good first step.

He would not elaborate, but said the anti-nuclear legislation would not be compromised.

In its anti-nuclear legislation, New Zealand welcomes vessels of friendly nations, providing they declare they are not carrying nuclear weapons and are not nuclear propelled.

This "confirm or deny" phrase has been at the heart of the row with Washington. As a matter of policy the US has always refused to comply with any such request. Other governments with anti-nuclear sentiments such as Denmark and Japan accepted the US position and Wellington's refusal to follow suit raised concern other allies might catch the "New Zealand disease".

Initial elation that a solution had been found, as no US surface vessels will be nuclear armed within two years, overlooked the fact that many US ships are nuclear powered.

The government, which is overwhelmingly pro-American, has let it be known it is considering removing the nuclear propulsion section from the act. The plan may be to include it in a new law on navigation and port safety. This would make it comparatively easy to permit visits under safety requirements.

National MPs are being consulted to gauge their opinion on lifting the ban on nuclear powered ships. Informal soundings say MPs in the centre right party are voting four to one in favour of changing the law.

The prospect of change has stirred opponents. Mr David Lange, the former prime minister who headed the anti-nuclear weapons crusade but was in favour of visits by nuclear powered vessels until overruled by Labour party activists, said he believed public opinion would not allow the government to change the law. As peace was breaking out and there was no longer a discernible enemy such as the Soviet Union, there was no need for the change.

Mr Mike Moore, the Labour leader, said the law should stay as it is, a view endorsed by minor parties and dozens of peace and anti-nuclear groups determined to ban nuclear systems from New Zealand for all time.

Fresh urgency surrounds economic strategy

Top advisers give Bush 'credit crunch' options

By Lionel Barber and George Graham in Washington

PRESIDENT George Bush heard options for easing the so-called "credit crunch" and stimulating bank lending to small businesses during a strategy session with top economic advisers yesterday.

At the White House meeting Mr Bush and the Cabinet-level Economic Policy Council also reviewed plans for pressing Congress to adopt the administration's growth package, including a cut in capital gains tax.

The economic strategy session – the second in as many weeks – reflects a new urgency among Mr Bush's senior advisers over the need to restore consumer confidence as the president heads into an election year.

The administration has blamed overzealous bank regulation for slow growth. But it is unclear how far US industry or banks agree with the "credit crunch" diagnosis; many believe low confidence in the recovery is deterring borrowers, rather than excessively tight financial regulation.

Mr Robert Hawkins, president-elect of the Independent Bankers Association, said good borrowers were not borrowing while bad borrowers faced tighter bank scrutiny. "That's where the credit crunch is, if there is one," he said.

Mr Lyle Gramley, chief economist of the Mortgage Bankers Association, said: "Regulatory zeal has been a factor in forcing banks to look at what they are doing but it has now developed a momentum of its own. I doubt very much that anything the administration could do would cause a great turnaround."

At the White House meeting yesterday, officials discussed a modest easing of bank capital regulations as a means to spur bank lending. One proposal is to broaden the definition of residential real estate to reduce the amount of bank capital tied up in commercial or industrial loans.

The White House talks took place against a background of congressional pressure to review the five-year budget deficit reduction agreement.

The sharply reduced threat from the Soviet Union has prompted calls among Republicans and Democrats for deeper cuts in military spending, to release money for tax cuts and new spending initiatives.

Although both parties appear to agree it is too late for a substantial revisions in the fiscal 1992 budget, a battle is looming in January when Mr Bush presents his budget for fiscal 1993.

Senators consider sex claims against judge

By George Graham

Clarence Thomas: denial

THE confirmation of President George Bush's choice to fill the vacant seat on the US Supreme Court ran into a last-minute hitch yesterday amid a furore over allegations that his nominee, Judge Clarence Thomas, had sexually harassed an employee.

The Senate was wrestling with demands for a delay in the confirmation of Mr Thomas, who had until this week been expected to win approval by a wide margin, while the allegations were investigated.

Such a hold-up would demand unanimous Senate consent, but yesterday both Mr Thomas's opponents and some of his supporters were seeking more time to resolve the issue.

Prof Anita Hill, who worked for Mr Thomas at the Education Department and later at the Equal Employment Opportunities Commission, said he had harassed her with obscene conversation after she had declined to go out with him.

Mr Thomas, who would take the seat of Justice Thurgood Marshall, the civil rights advocate, denied the allegations through Senator John Danforth, who has sponsored his nomination in the Senate.

The charges have also rebounded against the Senate judiciary committee, which conducted the main hearings on Mr Thomas's nomination.

While the House of Representatives has been struggling for the last fortnight under complaints that its members bounce cheques at the in-house bank, don't pay their restaurant bills and intervene with the Washington city authorities to have their parking tickets suppressed, the Senate's image as a self-protective masculine club has come under the spotlight.

"We are now sending a message to the American people that we do not take sexual harassment seriously enough to conduct a full investigation," complained Senator Barbara Mikulski, one of only two women to sit in the 100-member body.

It is clear in Washington that Prof Hill's televised news conference has won her considerable sympathy, and some senators – whether or not they believe her allegations – appear sensitive to the possible electoral damage among women voters should they brush aside her charges without serious inquiry.

Noriega prosecutors test the legal limits

The Justice Department is facing criticism over its handling of the trial, writes **Henry Hamman**

A SHADOW has been cast over the trial in Miami of General Manuel Antonio Noriega, Panama's deposed leader accused by the US government of drug-trafficking.

There is controversy over how the US Justice Department came to possess a confidential list of defence witnesses; and cross-examination of prosecution witnesses has confirmed the lengths the government has gone to obtain testimony against Gen Noriega.

The defence team has complained bitterly that the possession of the witness list by the Justice Department may have compromised their ability to defend the general. They are preparing a legal protest – possibly calling for a mis-trial – following the revelation. Officials deny prosecuting lawyers have seen the list, which was reportedly attached to a subpoena served on a witness by the US Marshals Service.

The prosecution is also facing criticism for the way in which some witnesses, including drug traffickers, have arranged favourable plea bargains in return for testimony.

Among them is Mr Roberto Striedinger, a confessed drug pilot, who is the only witness yet to testify that Gen Noriega met Colombian cocaine cartel leaders. The government allowed Mr Striedinger to retain a 10-passenger aircraft which he admitted he had purchased with drug money, a 40-foot yacht and a collection of assault rifles.

While he was forced to forfeit title to his multi-million dollar Florida home (a former residence of President Richard Nixon), the government agreed not to prosecute him for transferring $340,000 (£195,500) in drug money from Colombia to the US just days before his arrest on related drug charges.

Mr Striedinger, with other witnesses, has been offered a place in the government's witness protection programme and he and members of his family are to be allowed to become US residents. Another witness has received payments topping $500,000 from the government as part of arrangements for his testimony.

Even before the start of the trial last month the government was facing criticism about the treatment of the defence team and Gen Noriega.

Episodes raising public concern were the surreptitious videotaping of Gen Noriega in his prison cell and a subsequent attempt by unknown individuals to sell the tape to news outlets; and the taping of conversations between the general and his attorneys in apparent violation of the right of attorney-client privilege.

It has also been revealed that one group in the US attorney's office in Miami was using Mr Raymond Takiff, Gen Noriega's chief defence attorney up until the invasion of Panama, as an undercover agent in a local judicial corruption investigation, while other attorneys in the same office were preparing the case against the general.

The mounting list of controversies will increase pressure on Judge William Hoeveler, who wants to conduct the trial as he would any other drug case, and not as a political showcase.

The judge has been taking a generally hard line with defence efforts to raise in court issues of government behaviour in Gen Noriega's defence.

If he holds to the pattern he has established so far, defence attorneys may find it difficult to establish their claim that many of the actions for which Gen Noriega is being prosecuted were undertaken with the alleged knowledge and sanction of US authorities.

The judge has sustained a number of prosecution objections, effectively blocking testimony in several sensitive areas. These include:

- A defence claim that Panamanian military intelligence officers systematically reported details of shipments of drug money into Panama to the US Drug Enforcement Agency.
- Discussion of training in intelligence techniques which Gen Noriega may have received from the US Central Intelligence Agency.
- Questions about possible US involvement in Gen Noriega's actions in a Panamanian presidential election during which the general switched the military's support to a candidate favoured by Washington.
- Defence inquiries about the possibility that the same aircraft which carried arms to the Nicaraguan Contras from Miami via Panama may also have been used to fly drugs into the US.
- Questions over the possible involvement of Lt-Col Oliver North, linked to the Iran-Contra scandal, with the flights.

The government has been winning its battle to keep the defence from turning the trial into an examination of US actions in Central America during the 1980s.

It has been less successful, however, in showing a direct link between Gen Noriega and Colombian cocaine cartels.

So far the government has produced only one witness – Mr Striedinger – who has testified to being present at meetings between Gen Noriega and cartel bosses.

Months ago during pre-trial manoeuvring, an attorney for one of Gen Noriega's then co-defendants referred to the case as "Starship Noriega," a journey into unknown legal territory. As the case unfolds and the in and out of court surprises continue, the allusion appears increasingly apt.

Soldiers turn against Haiti junta

By Canute James

Haitian soldiers in front of the Legislative Palace in Port-au-Prince

ARMY factions opposed to the return of toppled President Jean-Bertrand Aristide appear to have rebelled against the week-old junta led General Raoul Cedras.

The soldiers invaded the national assembly on Monday night where legislators were meeting and forced them, at gunpoint, to elect Mr Joseph Nerette, a senior member of the judiciary, as interim president.

The soldiers then went to the airport and disrupted a meeting between the junta and a delegation from the Organisation of American Sates (OAS), forcing the latter to leave the country.

The soldiers were incensed by reports that the junta and the OAS were close to an agreement which would have allowed Mr Aristide to return to the country.

In a separate incident at the airport, Mr Evans Paul, the mayor of Port-au-Prince and a strong Aristide supporter, was shot and taken away.

Gen Cedras and other members of the triumvirate have not been seen since leaving the airport. There has, however, been no official announcement of their removal from power.

The soldiers' action aborted efforts by the OAS to find a diplomatic solution to the crisis in the Caribbean state and increased the possibility of intervention to restore the country's fledgling democracy.

The apparent takeover by a new group of soldiers has also further reduced the prospects of an early return to Haiti by Mr Aristide.

Diplomats in Port-au Prince said yesterday the capital was in a state of anarchy, with continuous gunfire heard on Monday night.

Canadian dollar buoyant

THE Canadian dollar soared to a 12-year high yesterday as investors continued to be drawn by attractive interest rates and the prospect of falling inflation, writes Bernard Simon in Toronto.

The currency was trading at 88.62 US cents by midday, slightly above the previous peak reached in August 1990.

Predictions that the dollar was set for a reversal have all but evaporated as markets have witnessed the Bank of Canada's determination to keep a lid on inflation.

While interest rates have fallen sharply in the past year, they remain between 1.6 points (on long-term government bonds) and 3.2 points (on three-month Treasury bills) above yields on US securities. Canadian banks' prime lending rate is between 9.25 and 9.5 per cent.

MOTOR INDUSTRY

Fiat to invest £100m in UK dealer network

By Kevin Done, Motor Industry Correspondent

FIAT, the Italian car-making group, plans to invest about £100m over the next three years to strengthen its ailing UK dealer network.

The group, which includes Lancia and Alfa Romeo, is expected to announce today an ambitious reorganisation of its UK vehicle distribution operations including the setting up of a network of wholly owned flagship dealerships in key cities.

Fiat is the second largest western European carmaker with a 12.6 per cent share of sales across the whole of Europe in the first eight months of the year, but the UK is one of the Fiat group's weakest markets in western Europe and it languishes far behind its rivals. The group's market share in the first nine months of this year was just 2.6 per cent, and it has struggled for many years to overcome an image for poor-quality products.

The group, with its hold on the domestic Italian market already under heavy pressure, appears to be one of the most vulnerable European carmakers to the rapidly increasing Japanese assault on Europe.

The UK is its biggest challenge in its strategic attempt to achieve a more balanced market presence across Europe.

The Fiat group's UK sales of 2.6 per cent lag behind specialist producer Volvo's 3 per cent and are barely ahead of BMW's 2.3 per cent.

Lancia alone managed a UK market share of only 0.1 per cent and Alfa Romeo 0.2 per cent in the same period, against the Fiat marque's 2.3 per cent.

The group has continued to lose market share this year, with Lancia sales plunging 51.5 per cent and Fiat sales falling 38.6 per cent. Only the Alfa Romeo marque has outperformed the market with a fall in sales volume of only 8.6 per cent.

Fiat has already moved to tighten the control of its sales operations in the UK in the past two years with the acquisition of the previously independent Alfa Romeo and Lancia importer/distributor activities.

The senior management of the three marques is to be integrated at the headquarters of Fiat Auto (UK) in Slough, Berkshire, under Mr Mario Massara as managing director.

Three directors are to be appointed for operations, sales and marketing, each with overall responsibility in their area for all three marques. The brands will keep separate and distinct identities, however.

As part of the moves to strengthen the dealer network it is expected that some Fiat dealers will become dual-franchise operations by taking on either Lancia or Alfa Romeo, with the aim of increasing their profitability and volume sales.

There are currently about 300 Fiat dealerships in the UK, 69 for Alfa Romeo and 56 for Lancia.

Privatised water sector faces plans to increase competition

By Richard Evans

INCREASED competition in the water industry is being proposed by the government as a key part of its Citizen's Charter, designed to raise the standards of public service.

In a consultation paper published yesterday by the environment department and the Welsh Office, which took the industry by surprise, ministers put forward proposals to introduce more competition in what is essentially a regulated monopoly service.

Among the proposals, drafted with the help of Mr Ian Byatt, director general of the Office of Water Services (Ofwat), the industry's economic regulator, are the possible introduction of outside suppliers in a water company's area, the right for customers to bring supplies across company boundaries, and increased competition in the supply to bulk customers.

Water industry leaders gave a guarded welcome to the paper, but pointed out that at best they would only have a marginal impact on competition. Mr Bill Harper, deputy chairman of Thames Water Utilities, the largest supplier, said: "If we can make this sort of thing a reality, it benefits the customer and it galvanises the company....but in reality it's not going to produce a free-for-all."

Comments on the proposals from companies and from customers have to be in by November 4, which gives an indication of the speed with which ministers are determined to press ahead with legislation. This is expected to be a central plank in the Conservatives' election manifesto.

The policy document on the Citizen's Charter published in July said that competition among suppliers was the best assurance for customers that they were receiving value for money, but it was recognised that for technical and economic reasons, competition in the water industry was particularly difficult to introduce.

"The government considers that this makes it all the more important that opportunities for promoting competition are investigated and exploited," the consultation paper said.

However, comparative competition within the industry is certain to remain the key yardstick by which companies will be judged.

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BRITAIN IN BRIEF

Unitel joins Mercury in PCN order

Mercury Communications and Unitel, the personal communications network operators are to announce they have placed an order worth more than £100m for the hardware to set up their UK networks.

The order is the first significant step a group in this sector of the mobile phone industry has taken to establish a network. Personal communication networks, which use high-frequency radio signals, are expected to pose a growing competitive challenge to traditional fixed-link networks in the 1990s.

Several companies are thought to have bid for the contract, including Ericsson of Sweden, which faced competition from AT&T of the US, and Siemens of Germany.

Industry rejects works councils

British industry is overwhelmingly opposed to European Community proposals for mandatory employee-management works councils, according to the results of a consultation exercise published by the Department of Employment.

Over 80 per cent of respondents to the government's document expressed outright opposition to the EC draft directive on works councils.

Trust hospitals enjoy status

Chief executives of the first self-governing trust hospitals within the state health service are enthusiastic about the new status but unsure of future financial developments, according to a new survey.

More than 80 per cent of chief executives expressed serious concern in the survey about uncertainly over future capital allocation.

According to Newchurch, a company of business advisers, this uncertainly "emerged as the greatest single criticism of the National Health Service reforms"

A £2.5m appeal has been launched to repair Durham castle, in north east England, which is suffering from rising damp and decaying stonework after 900 years of occupation. The castle, which with the neighbouring cathedral is a World Heritage site, ranks in architectural significance alongside the Taj Mahal and the Great Wall of China

Nissan opens testing centre

Work has begun at a new £5m Nissan European Technology Centre (NETC) building at the company's Sunderland site, now the centre for Nissan vehicle testing in Europe. A £26m NETC sister plant opens in southern England next week.

Schools face tuck tax

Schools across the country face paying VAT on tuck shop sales and school concert tickets after customs and excise officials combed the accounts of four schools in Hertford.

Hertfordshire County Council may be liable for a VAT bill running into hundreds of thousands of pounds, and the council has threatened a "mass audit" of all schools unless they can provide a full sales return. One head teacher said schools may lose up to a million pounds.

Study centre for motor industry

A research centre for the motor industry, bringing together some of the most well-known academics specialising in the sector, has been launched with the aim of becoming the industry's main academic research centre in Europe.

The Centre for Automotive Industry Research, based at Cardiff Business School in Wales, is aimed at forging links with Continental academic centres with the objective of achieving an integrated approach to academic research for the European motor industry.

The centre has already attracted three sponsored fellowships – from Ford, truck maker Leyland DAF and Automotive Products, a BBA Group components subsidiary.

Outhwaite criticised

The underwriting record of Mr Richard Outhwaite came under sustained criticism yesterday during the second day of the legal case against his firm, Outhwaite Underwiting Agency, and 81 members agents at the High Court in London.

987 Lloyd's Names – the individuals whose capital backs underwriting activities on the Lloyd's insurance market – allege that Mr Outhwaite's negligence was responsible for their insurance losses of over £200m. Mr Outhwaite is defending the action.

For the Names Mr Anthony Boswood QC, said that Mr Outhwaite, the underwriter of syndicate 317/661, had kept himself in a state of "wilful ignorance" about the reinsurance risks he wrote on behalf of the Names.

Poor response

Smaller businesses are failing to respond to environmental change according to a survey of 76 British companies carried out by Industrial Waste *Management Magazine* and Reed Exhibitions, organisers of the Environmental Technology 91 exhibition now taking place in Birmingham.

The survey shows that it is the larger companies which are changing their working practices in preparation for stricter regulations introduced by the Environmental Protection Act and the European Community.

The findings reinforce the recent warning by Mr Michael Heseltine, environment secretary, who said UK companies, mainly the smaller ones, are failing to provide strong environmental management.

US company cuts jobs

Conner Peripherals, the US disk drive maker which became one of the fastest growing companies in business history after its creation in 1986, is to reduce the workforce at its plant in Irvine, Strathclyde, Scotland, by 95, bringing it down to 320. The company said it was part of a cost reduction programme caused by the recession in the personal computer market and by severe price erosion in the disk drive industry due to excess manufacturing capacity.

Boost for docklands

The redevelopment of Cardiff's docklands area received a boost when the Welsh Health Common Services Authority became the first large office user outside local government to move into the area.

The authority, which provides specialist services in Wales for the National Health Service such as management of blood transfusion and design of hospital building, is to centralise its four offices now in Cardiff into one 150,000sq ft office overlooking the waterfront.

BR refunds to 'cost 1.5m'

Plans for compensating travellers on British Rail's Network South East for poor service would cost £1.5m a week and almost certainly lead to fare increases, according to the opposition labour party.

Mr John Prescott, Labour's transport spokesman, said that of Network South East's 2m passengers a day, about 18 per cent suffer cancelled services or delays of more than 5 minutes. If each were given £1 in compensation, the total cost would be £1.5m a week.

Unless the government subsidy was increased, the extra cost would have to be passed on in higher fares, Labour believes. In a letter to the Transport secretary, Mr Prescott expressed concern that part of the fare increases that BR will announce shortly are to be put towards a "compensation fund".

UK NEWS

CONSERVATIVE PARTY CONFERENCE

Hurd issues warning on aid to Soviet Union

By Ivor Owen, Parliamentary Correspondent

MR DOUGLAS Hurd, the foreign secretary, warned the Soviet Union last night not to expect open ended aid from the west as it struggles to overcome Communism.

In a confident speech he also assured the Conservative conference that any attempt to force Britain into a "federalist straight-jacket" at the EC summit at Maastricht in December would not work.

Mr Hurd acknowledged the need for short term help for the Soviet Union aimed at preventing people going hungry this winter and to put reform on to a firm footing.

But he stressed that in the longer term account had to be taken of the fact that the Soviet Union, blessed with vast reserves of oil, gas and precious metals, was not a poor country.

Mr Hurd said the Soviets also had some of the most fertile farm land in Europe, and their people were suffering as a result of the squandering of riches through the inefficiency and corruption of socialism.

He was insistent while outside help had some part to play the Soviet republics ultimately held their salvation in their own hands.

The foreign secretary repeatedly underlined the central role being played by Mr John Major, the prime minister, on the world stage as well as in the European Community.

He recalled that Mr Major was the first western leader to visit Moscow after the abortive coup against President Gorbachev, and stressed that as chairman of the G7 group of leading industrialised countries was making sure that aid to the Soviet Union was well co-ordinated.

Hurd: Soviet republics hold salvation in their own hands

Mr Hurd said Britain was working within the EC and the G7 group to bridge gaps in the production or distribution of food and was prepared to be generous in helping the Soviet peoples.

Dealing with the prospects for a successful outcome to the Maastricht summit, the foreign secretary acknowledged that some proposals unacceptable to Britain had been dropped in the last week or so.

But there were still too many proposals on the table which Britain could not and would not accept.

To sustained applause, Mr Hurd promised "we will not be afraid to say 'no' where necessary, and some times that is necessary".

At the same time he reaffirmed that it was the government's aim to secure an agreement that offered "the best future for Britain in Europe".

● Mr John Gummer hit out at Mr Ray MacSharry's European farm reform plans, claiming that the EC agricultural commissioner's proposals would penalise efficiency and subsidise the inefficient.

He also criticised the low profile accorded agriculture by Labour and called for high standards of animal welfare throughout Europe. "It is no good raising standards here...while others use the old methods and flood our markets with cheaper food," he said.

Sports drink scores victory in Britain

Philip Rawstorne watches the race to market isotonic drinks for the leisure consumer

ONE of the fastest-growing sectors of the UK soft drinks industry has passed a critical fitness test. Lucozade Sport, one of a new breed of drinks designed to revitalise sportsmen and women around the world, has had its claims upheld in a British law court.

Objections by standards officials have been dismissed by magistrates and SmithKline Beecham's can continue marketing Lucozade Sport as a "fluid to fight dehydration, minerals and glucose energy to help nourish muscles".

The verdict may give a similarly healthy boost to the product – and to the development of the infant sports drinks market. Five years ago, sports drinks were virtually non-existent in Britain. By the end of this year, Beecham estimates that Lucozade Sport will have a 90 per cent share of a retail market worth £35m, and growing at an annual rate of 45 per cent. Judged by the experience of the US and Japan, the sector has a long way to run yet.

The first successful sports drink was created by Dr Robert Cade, a University of Florida physiologist, in the 1960s. Asked by the university football team – the Gators – to formulate a drink that would quench the players' thirsts and restore their energy, Dr Cade began by analysing the sweat from their shirts.

On the basis of that analysis, he developed Gatorade, a drink designed to improve athletic performance by replenishing lost body fluids with a palatable and rapidly absorbed blend of sucrose, glucose, and essential minerals such as potassium and sodium.

The Gatorade brand was licensed to the Quaker Oats company which has now built sales to more than $600m a year. It expects sales to reach $1bn by 1995, as more consumers follow the example of sportsmen in US football, baseball, athletics, and golf.

New brands are appearing on the US market. Dr Cade has created two more sports drinks: Go, and Tqil. Coca-Cola has launched Powerade, and Pepsi has brought out All Sport.

Gatorade has been launched recently in Italy, France and Germany, but in the UK is, as yet, only supplied direct to a number of leading sports clubs.

In Japan, the market for sports drinks has been driven by a fast-growing consumer interest in functional foods – natural products for regular consumption which are medically beneficial.

Isotonic drinks, which have a similar level of concentration of carbohydrates and minerals to body fluids, and can help the body absorb nutrients, have become widely available and popular.

A study by PA Consulting Group showed that while sales of carbonates registered very little increase between 1985 and 1988, consumption of health drinks almost doubled.

Led by Otsuka Pharmaceutical's ill-named Pocari Sweat, sports drinks in 1988 accounted for 37 per cent of the health sector, with estimated sales of £450m.

In spite of these successes in the US and Japan, the UK market has been a late developer. Dexters, a brand from Grand Metropolitan, the UK drinks and leisure group, was launched in 1986. A slightly carbonated drink with a fruit juice base, it is a hypotonic with a concentration of carbohydrates and minerals lower than that of body fluids.

It was targeted initially on sportsmen and women – and adopted by tennis, volleyball and hockey organisations – but its distribution has been gradually extended through GrandMets' retail outlets.

Commercial venture: Daley Thompson and Lucozade

In the past three years 5m cans have been sold.

Bass, the UK brewer, launched Replay, an isotonic drink based on natural orange juice, in 1989. It supplies the London marathon, the Football League's rehabilitation centre, and Wolverhampton Wanderers.

Beecham's launch of Lucozade Sport in the autumn of 1989 really set the sector alight. Lucozade, the parent brand, was developed by a doctor in Newcastle-upon-Tyne in 1927 as an energy supplement for invalids and convalescents.

Until the mid-1980s, the glowing yellow glucose drink was largely confined to hospital wards and sick rooms. Then an advertising campaign featuring Daley Thompson, the Olympic medal winning decathlete, suggested it was the stuff that Olympic champions were made of. Sales increased from £13m in 1980 to an estimated £134m this year.

The health and energy associations that the brand name has conferred on Lucozade Sport have been invaluable. Even so, Beecham approached the venture with great caution, pondering over the prospects for 10 years, and taking a further five years to perfect its formulation.

"We needed the right combination of taste and potential to replace body fluids fast," says Mr Dermot Cleary, senior product manager.

Lucozade's position as the official isotonic drink supplier to the British Athletics Association and football clubs such as Liverpool and Tottenham Hotspur, is a springboard into a wider market beyond even an estimated 33m weekend sports participants by 1993.

In the two years since its launch, Beecham has poured £10m of advertising and marketing support into Lucozade Sport.

A consumer survey by Leatherhead Food, the market researchers, found some initial scepticism. "It's more for a cool dude walking along with his isotonic Lucozade than something that would do you any good," said one respondent.

But Professor Clyde Williams, head of Loughborough University's department of physical education and sports science, which has tested most of the sports drinks, disagrees.

"We used to think that drinking water was the best way of preventing an athlete running to exhaustion," he says. "But we now know that if you add some electrolytes and carbohydrates to the water, lost body fluids are replaced more rapidly and effectively."

Europe threatens to spoil the party

By Ivo Dawnay, Political Correspondent

WITH controversy at the Labour party conference now as rare as Marxists, Blackpool yesterday witnessed the unprecedented spectacle of the Tory party engaged in fierce internal debate.

From foyer to conference floor representatives spoke up and spoke out. And the roving camera crews did not have to hunt long to find their prey. And it was the Euro-sceptics – few now dare to be overtly anti-European – that appeared to be hogging the arc lights.

Mr Tony Favell, MP for Stockport and one-time political secretary to Mr John Major himself, was among the first to argue that a referendum must be held once the Maastricht European summit reaches its conclusions on political and economic union in December.

Rehearsing arguments he will put at the launch of a new "Referendum First Campaign", due to be unveiled in Blackpool today, Mr Favell said it was now quite clear that Britain's 11 European partners are heading down the federalist path.

"If we are going to amend the Treaty of Rome, then I think it should be put to the British people," he said.

His views were hardly exclusive. Only yards away Sir Teddy Taylor MP, was laying down his terms and conditions for Mr Major's visit to the Netherlands to be deemed a success.

He argued that his Conservative European Forum, now numbering 72 MPs, could live with Mr Major signing Treaty amendments in Maastricht provided that they gave neither a firm commitment nor a timescale for Britain to join a single European currency.

Only minutes later, Mr Chris Patten, the party chairman, called, on the conference to trust the leadership on the European issue. But, for once at a Tory gathering, absolute trust was in rationed supply.

Yesterday lunchtime alone, seven fringe meetings heard views ranging from Mr Enoch Powell's grim warnings of a ravished constitutional heritage through the emollient assurances of Mr Douglas Hurd, the foreign secretary, to the Euro-certainties of Mr Edward Heath.

For the non-partisan, the spectacle of the Tory conference actually engaged in true debate was a genuine and refreshing novelty.

One party functionary asserted yesterday that the Tories need to take heed of Labour's recent ideological reforms. "What we need is some perestroika in this party to bring us back to political realities," he said.

Up on the European Parliament stand, meanwhile, Tory MEPs were serving British-made prawn flavoured crisps to kill the libel that such delicacies have been banned by the Brussels bureaucrats.

Yet even here in the heart of Euro-Toryism the referendum issue was capable of stirring conflict. "We have nothing to fear from a referendum," said a one federalist MEP, "We would win it, and it would solve the question for a generation."

His female MEP colleague did not agree. "I fear that it might instead solve the future of the Conservative party for a generation," was her sardonic reply.

Heath urges further EC integration

By David Owen

MR EDWARD Heath yesterday used his first speech on the conference fringe for 16 years to make a passionate defence of traditional "One Nation" Toryism and to argue strongly for increased European integration.

The former Prime Minister also criticised the present government's privatisation of the water industry and certain security and defence functions.

"In privatisation as in anything else we have to strike a balance," he said. "When I hear that parts of the police ought to be privatised, I say quite bluntly "That is nonsense."

His address to the Young Conservatives was poorly received by some in the audience, who afterwards subjected him to tough questioning on his view that greater European integration is "inevitable".

He stuck firmly to his guns, however, remarking "British agriculture has done extremely well out of our membership of the community."

On education and health, he said that public-sector standards should be as high as their private equivalents and that differentiation should not be made on the basis of income or wealth.

On Europe, he described the row about the use of the word "federalism" as "a false argument." What mattered was the type of political organisation that negotiators were working to create. "The politicians on these matters are often way behind the businessmen and the citizens and particularly the young people," he said.

Komatsu sees no upturn in sight for construction sector

By Chris Tighe

THE UK construction industry is unlikely to see any upturn until late next year and sales of construction equipment in western Europe may never again reach their 1989/90 peak, according to executives at Komatsu, the Japanese earth moving equipment manufacturer.

Dr Clive Morton, personnel director of Komatsu's Birtley, Tyne and Wear plant – the company's sole excavator production outlet in Europe – said that with building material stocks at an all time high and 40,000 houses in the UK unsold, any upturn would take time to filter through.

Komatsu UK believed the construction industry had reached "the bottom of the trough" but was very cautious about talk of an improvement in the UK house buying market in recent weeks.

"We've had this short spring before, earlier this year, then it falls away," said Dr Morton.

Private sector industrial property development in the UK was in the doldrums and public investment projects remained uncertain, he added. And most western European countries were hit by recession to some degree.

"I don't think anybody believes the peak of 1989/90 in terms of construction equipment will ever be reached again," he said.

"There were boom economies in various parts of Europe which will be very hard to achieve again. It's going to be a long, slow haul."

Dr Morton, who became Komatsu's first UK employee in 1985 when it bought the Birtley factory from US rival Caterpillar, said the UK market for construction equipment had shrunk this year to one third of last year's size.

Komatsu, which now claims to be the UK's largest hydraulic excavator producer, has increased its UK market share in recent years from 15 per cent to 40 per cent.

The recession, however, has still forced it to cut output at Birtley from 2,200 units in 1989 to 1,600 this year. Output in 1992 will also be 1,600.

The Birtley plant, which this year won a Queen's Award for export achievement, now sells more than 80 per cent of its output abroad. But it has recently had to shed 30 jobs, by natural wastage, voluntary redundancies and secondments, reducing its workforce to 400.

Dr Morton said Komatsu remained committed to Birtley where it has injected £10m pounds in capital investment this year.

A new £1m Test and Development Centre, its first of this kind outside Japan, will be officially opened next week. Nor did the company, now celebrating its seventieth anniversary, regret its Birtley project. "It's taken Komatsu into an international arena much quicker than it could otherwise have done."

MANAGEMENT

'World class' manufacturing

A clean sweep at the old Brush

Andrew Baxter reports on a quiet, if long overdue, revolution at Hawker Siddeley

They call it The Brush. An elderly collection of electrical engineering plants shoehorned into a 70-acre site that almost palpably shakes to the sound of InterCity trains tearing past the windows between London and Sheffield.

The Brush, at Loughborough, is "a very big, old engineering site", concedes Alan Watkins, managing director of Hawker Siddeley, the venerable UK engineering group facing a £1.5bn takeover from BTR, the UK conglomerate. "But it's better than most sites like that. At least it still exists and it's busy in almost everything they do there."

The cramped, cluttered layout of the site – named after the company which Hawker bought in 1957 – conveys an unfortunate initial impression to the outsider seeking evidence of a strategy for the future among the forbidding industrial architecture of the past.

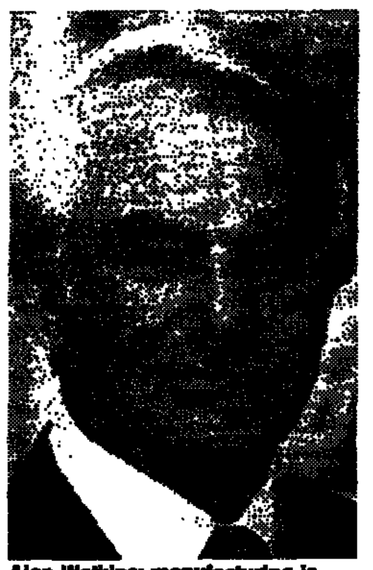
Behind the unpromising facade, though, things are stirring at the Brush, a name still used by the companies producing the electric motors, switchgear, transformers and locomotives there. A quiet – and long overdue – revolution in manufacturing systems, product development strategies, workforce organisation and training is under way.

The process is being repeated elsewhere in Hawker's worldwide empire of 250 plants and 92 individual businesses. The transformation is not unique to Hawker – the company is introducing "world-class" manufacturing techniques that have been particularly successful in Japan – but it is unusual for an engineering group to attempt in five years what normally takes 10 or 15.

Watkins, who joined Hawker from Lucas Aerospace in 1989 with a remit to put life into one of the last sleeping giants of UK engineering, is happy to admit that manufacturing is his "hobby-horse". He radiates enthusiasm for tackling one of the big challenges of modern manufacturing as ever-faster machine tools reduce the time it takes to carry out their tasks: how do you ensure the time saved is not wasted in other parts of the manufacturing process?

The Hawker chief is credited by colleagues and outside observers with inspiring a quantum leap in attitudes to manufacturing, supported by a significant initiative on training. From virtually "a standing start", says Watkins, considerable progress has been made in reducing manufacturing lead times, getting new products onto the market more quickly, and becoming more responsive to customers' needs. Nearly halfway through a five-year programme, he wants the chance to complete the job.

Whether he gets the chance depends very much on the City's view of the BTR bid, against which the Hawker defence document will appear in the next day or two.



Alan Watkins: manufacturing is his hobby-horse

The organic reshaping of the company represented by events at the Brush and elsewhere is just one part of a three-legged strategy that includes reorganisation into seven business groups and a strategic analysis of the businesses where Hawker thinks it can become a global leader.

Inevitably, though, investors have been more influenced by the slow progress of Hawker's disposal programme, and the short-term pressures of the recession, than by nitty-gritty achievements on the factory floor where benefits take longer to flow through to the profit and loss account.

The organic changes, in fact, are a lot more important to the fate of the strategic review – prompted by Watkins' conclusion in autumn 1989 that Hawker was in far too many businesses to be an effective global competitor – than many observers realise.

The recession may have delayed much-needed disposals, but the drive for world-class techniques is being applied across the board, adding value to businesses that are "in" the company's future plans, those that are "out" and a few that remain in the middle.

Conversely, it was precisely because Hawker had grown willy-nilly into an engineering conglomerate that it lacked any organised approach to manufacturing strategy. "There were little groups that had gone and found out about manufacturing systems technology. Others had heard about it but not done anything. Others, again, had not even heard about it," says Watkins.

It was at a two-day meeting in Birmingham in October 1989 that Watkins gave around 100 Hawker business managers a foretaste of the changes ahead. There, by all accounts, he made bluntly clear that employees could fall in with the company's new philosophy – or go.

The cornerstone of the transformation is a shift from traditional UK engineering manufacturing techniques to "cell manufacturing". Instead, for example, of grouping all the lathes together in one part of the factory and have the products travel thousands of feet to be machined by them, before being sent elsewhere for another operation, all the functions and equipment needed to make the product are brought together in a "cell".

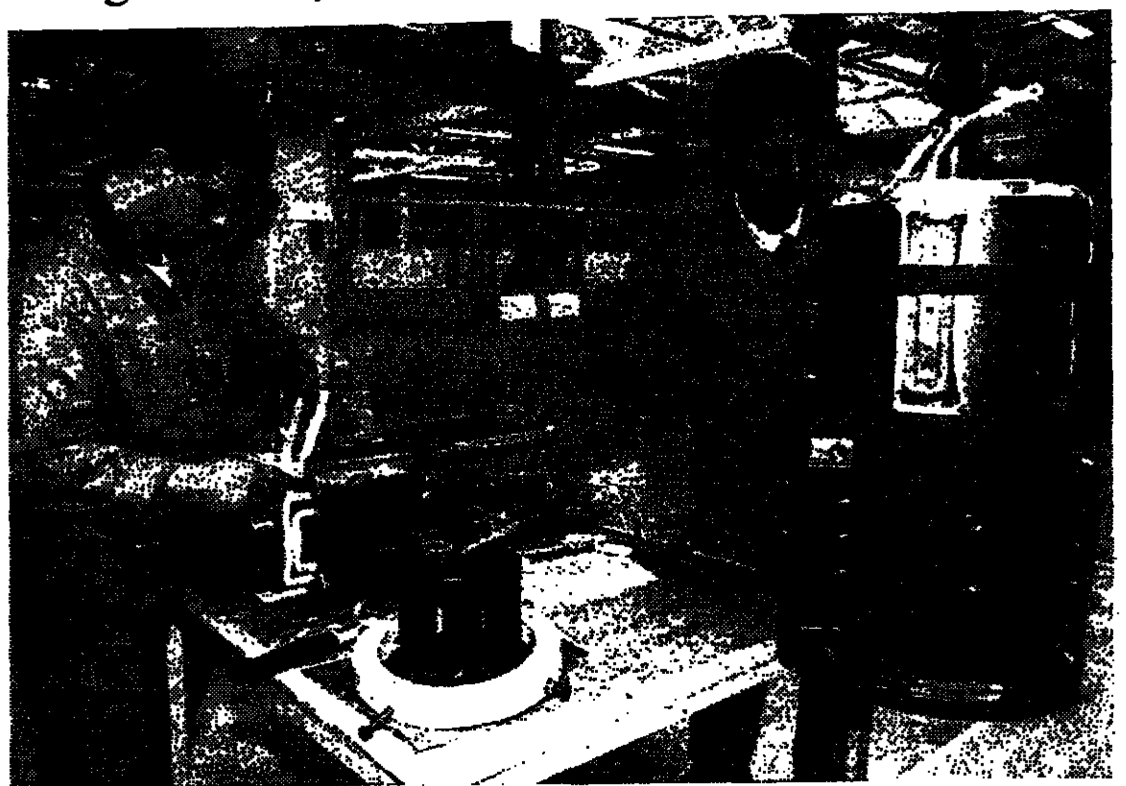
It sounds simple, but implies an immense cultural change. Workers used to carrying out one function on a production line – without checking the quality of work already done – become multi-functional, check on the quality of their colleagues' work, and see the final results of their efforts.

The approach cannot work without a heavy commitment to training, and has led to the establishment of more than 100 task forces to undertake the detailed planning of a cell or other initiative for reorganising processes – including paper chases around offices.

At Lucas, Watkins had used an internal consultancy, Lucas Engineering & Systems, which by the late 1980s was beginning to look for external opportunities to help companies manage and introduce change.

Peter Johnson, then director of operations at the consultancy, worked on several initiatives at Loughborough, first with senior executives and then with task forces. "The consultancy was set up to facilitate skills transfer," he says. "Every time it worked, it left behind the ability to continue improving in the people on the task forces."

At the same time, Watkins strengthened head office involvement in manufacturing issues by turning an in-house robotics consultancy into the Centre for Manufacturing Technology. Headed by Nigel Wallbridge, the centre aims to advise individual businesses on how to solve a manufacturing problem, encourage a cross-flow of ideas, and maintain a watching eye on the entire task force process.



Behind the unpromising facade things are stirring at the Brush, "a very big, old engineering site" at Loughborough, and the process is being repeated elsewhere in Hawker's worldwide empire

The Brush, with its traditional layers of management, trade unions, and ways of doing things, was a suitable testing-ground for the new techniques; a number of different projects is under way.

● One of the first to be completed anywhere in the group was the £1.5m Rapid Transit Module at Loughborough. A £21m contract from London Underground for electric motors to power Central Line trains prompted an 18-month reorganisation of manufacturing into three adjacent cells – armatures, magnets and assembly – that constitute the module.

Dick Hogg, a former machine shop superintendent who helped plan the module, says the material flowpath has been reduced from 22,000 ft in the traditional machine shop to 3,700ft.

Work-in-progress has been halved and manufacturing lead-times reduced from 16 weeks to six.

Apart from computerised testing equipment for the final motors, the technology used is unchanged from the old production line.

But tasks are shared, individual workers' training programmes are displayed prominently with their pictures, and kanban – the signalling technique which one expert equates to putting a note out for the milkman – is used to speed flows. There is even a league table ranking the performance of parts suppliers.

● A few hundred yards away, an intricately-detailed model of building bricks dominates the office of Michael Simms, managing director at Brush Switchgear. The size of an average train set, it represents the forthcoming reorganisation of manufacturing of circuit breaker trucks – like fuse boxes on wheels – into a cell system.

Unlike the RTM, though, the cell will not be at Loughborough. It will move to Blackwood in South Wales as part of a merger of Brush Switchgear with South Wales Switchgear, reducing the workforce in the new cell to 47 from the current 105 in circuit breaker truck manufacture at both sites.

The Loughborough company was a typical example of the problems facing Hawker when Simms joined in 1989, and the reshaping goes a long way beyond cell manufacturing. A good reputation in the market was hampered by lack of investment in people and training and over-reliance on the domestic market.

Simms recognised the need for an extensive new product development programme to take advantage of a world market growing at 3 to 5 per cent a year, launching four in the past 12 months compared with none in the previous five years.

The merger, which takes effect on January 1, should have happened 10 years ago, says Simms. The process has enabled him to re-examine crucial "make-or-buy" decisions – make at Loughborough, Blackwood, or buy from outside suppliers – strengthen the business for a big push into the US market, and give it a better springboard to agree manufacturing partnerships abroad.

The changes at Brush Switchgear illustrate the need for the three elements of Watkins' strategy to run in parallel, especially where the problems were deepest.

Bob Hampson, head of the electric power division, says he is "addressing all areas" to ensure adherence to his terms of reference – to be 20 per cent better than the competition. At the same time, the division needs to achieve a critical mass to compete globally – either through organic growth or joint ventures and acquisitions.

Watkins says the improvements at Brush are typical of what will be seen elsewhere. The group's "stockturn" – a basic indicator of its manufacturing lead-times – is now four times a year, and he has "absolutely no doubt that we can manage eight".

Some businesses have already achieved that, and could reach 12 or 15 by the time the others have reached eight. With £500m tied up in stocks, there is a lot of cash to free up, says Watkins. But the real benefit is the increasing improvement in customer service.

In the context of the bid from BTR, though, there are three problems for Watkins. First, moving to cell manufacturing could give the false impression that capital spending on smart new machine tools and related manufacturing technology is being cut.

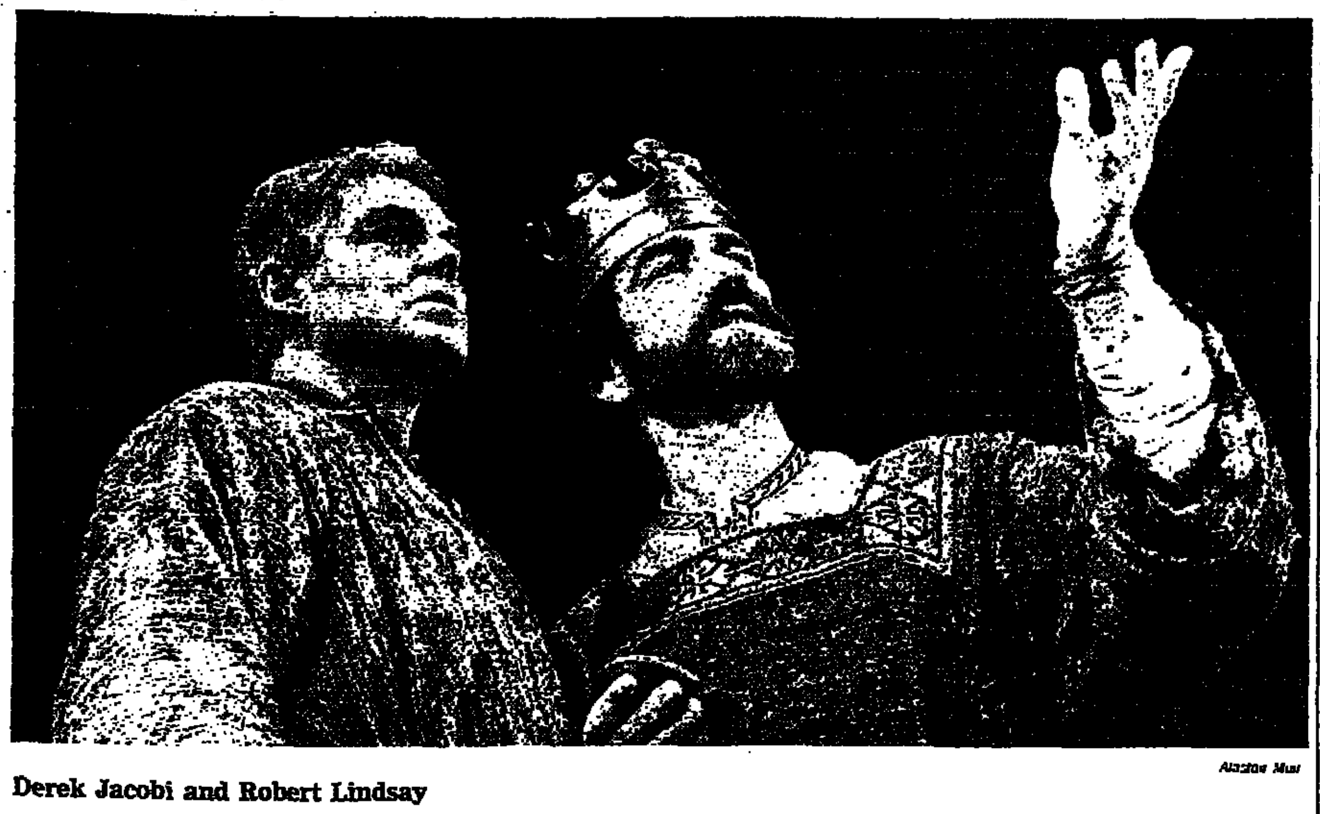
In contrast, he says, spending has been stepped up and is being undertaken more sensibly – on big projects rather than isolated pieces of plant.

Secondly, after years of benign neglect, the transfer of skills from consultants or in-house experts to task force members – and from them to others in Hawker – is an inevitably lengthy process. With each project averaging six to nine months, it takes time for expertise to spread as each task force splits like an amoeba to generate two more.

In any case, important though the factory changes are, "they are things that should have been done years ago", says Janet Sidaway at Kleinwort Benson Securities.

Time, therefore, may be a rather scarcer commodity for Watkins than the enthusiasm for the changes which is gradually spreading through all levels of the company. "It brings out the best in people," says Terry Holt, an armature manufacturer who has spent 24 years with Hawker.

ARTS



Alastair Muir

Derek Jacobi and Robert Lindsay

Becket

THEATRE ROYAL, HAYMARKET

Some of the plays in the new London theatre season may be 30 years old and more, but they have not lost their power to sparkle. After Samuel Beckett's *Waiting for Godot* at the Queen's last week, we now have Jean Anouilh's *Becket* at the Haymarket.

It is tempting, having seen them both within a few days, to say that they have more in common than might be the case. Nevertheless, certain similarities stand out. Not only are they both French and roughly contemporaneous, it is hard not to watch the tramps in *Godot* without comparing them at times with Henry II and the eponymous hero in *Becket*. Both sets of relationships show a similar mutual dependence and ultimately of loneliness. Both couples are waiting for something to happen. The difference is that in *Becket* something does.

However camp you make the production, you can never get away from the fact that in the end Becket is murdered and that everybody knows that he is going to be murdered. Elijah Moshinsky's direction, starring Robert Lindsay as the king and Derek Jacobi as Becket, is very camp indeed, yet you never forget that at some stage the king is going to ask to be rid of his turbulent priest.

Actually, the word used in Jeremy Sams's vernacular translation is not "turbulent" but "measly", but when the climax comes, it is still dramatic. There is never any doubt that Becket has turned from his old luxurious ways and put god before monarch. Possibly he does it out of pride rather than saintliness, but that is a fine distinction. Jacobi's playing, and indeed Anouilh's text, leaves it open to the audience to guess.

Pondering on the motivation is one of the play's main pleasures. I would make no claims that *Becket* is particularly profound. Yet it is, like *Godot*, a thoroughly well-written piece: witty, intelligent, full of repartee and irreverence. Also like *Godot*, it can – and in this production does – hold an audience spell-bound.

The reason for that is, I suspect, that the French have a greater respect for logic and form than the English. Becket says early on that "everything needs shape". The king complains about him that "he keeps making me think". That, apart from the story, is what the play is about. No word can be missed. Even if at the end you are none the wiser, and it is all distinctly middlebrow, you have the impression of having been through an intellectual treat.

Becket has a much larger cast than *Godot*, well deployed on the Haymarket stage. Take the scene of Henry in bed with a remarkably pretty girl. It lasts no more than a minute or two, but is a wonderful vignette which does not get in the way. The King of France, played by that excellent actor, Ken Bones, has his moments too. One of the best lines is: "'But' is a big word in politics."

Above all, however, you will enjoy the playing of Jacobi and Lindsay. They also could play Vladimir and Estragon. Occasionally it crosses the mind that they are.

Malcolm Rutherford

The Last Enemy

DRILL HALL, WC1

A pick-up in a cemetery. Girl exhorts boy to undress himself. Boy nervously complies. Whipping his belt from around her shoulders, girl trusses boy up. Carl Miller knows how to start a play with a bang, and how to turn it on its axis so that menace and mystery effervesce into irreverence – in this case a reflection on bad film-making. "You've got multiple deaths, two torture scenes and a glitter-ball. What more do you want?" asks the (female) director, emerging from behind an offstage camera.

We know from his last play, *Master Betty*, that Miller is a writer capable of coruscating wit: what this very different piece for Gay Sweatshop never quite proves is that he can rotate the glitter-ball the other way – so that wit yields serious and cohesive drama. The energy of the writing seems to exert a fragmenting, rather than a cohesive, force, so that one arrives at the interval in a state of bemusement: is it about death, or about sexual awakening, or the representation of either in theatre and film?

In the second act, the horizon begins to clear. The last enemy is indeed death, which Miller explores in all its guises, all its euphemisms – from the discovery of a mutilated corpse in the cemetery, to the refusal of a young mother to accept that her child has gone.

Most prominently, he places it in the way of two very different characters. One is Ian, a young homosexual with Aids, who finds himself quickly dropped by his friends – even by the vicar cousin to whom he once donated life-saving bone marrow; the other is a middle-aged singer manqué with cancer, who mercilessly exploits her condition to make a slave of her youngest daughter.

But just as William Osborne's Ian is not all good, Sunny Ormonde's irrepressibly vulgar Mona is not all bad. Unable to utter the word "cancer", she beseeches a tatty Jesus to let her live. "We don't do deals," he tells her. "You'll have to talk to the other side. I don't have the influence here that I did." In the absence of religious faith, she and Ian are reduced to hugging each other close and hurling out their anthem of survival against the odds: "I believe".

At moments such as these, Miller shows his ability, creating characters who are – against the odds – funny, pathetic and touching. But the play is studded with other, less convincing figures in less interesting attitudes, as if he could not resist cramming in the issues and images, and director David Benedict was not strong enough to restrain him.

Claire Armitstead

The Pickwick Papers

EVERYMAN, CHELTENHAM

This lavish production celebrates the centenary of this beautiful theatre, designed by Frank Matcham and built in 1891 for £6000. The adaptation of Dickens has been made by Ellis Jones; he has wisely resisted any temptation to extract a single coherent story, but has led the familiar characters through the string of events that made up Dickens's serial, and they are all played on the same feasible set.

A 14-strong company under Martin Houghton's direction plays about 40 parts. To anyone who knows the stories, most of them are familiar figures, and it is only needful to display the attributes Dickens gave them without adding any individual dramatic aspects. I suspect that this may have rendered them a little dull to those who didn't know the book, for the jokes are not hilarious; but on the night of my visit everyone seemed to know it, even the two Americans sitting behind me.

Frankly, I felt that an extra touch of personification might have done some good. For instance, there is no point in Michael Kirk's reproducing Jingle's way of talking unless he makes Jingle the kind of man who would talk that way. On the other hand, his lawyer Fogg talks, and acts, just as I would expect.

Brian Hewlett's Pickwick, at any rate, is everyone's Pickwick, friendly, bossy and generous even in the debtors' prison. He and his mates are constantly at the port wine, and seem drunker than I recall them – Colin Wakefield's Winkle actually throws up on a carpet, though only offstage. Matthew Roberton's tubby Tupman was hardly likely to overwhelm Susan Dowdall's handsome Rachel Wardle with his restrained romance, nor do I expect to hear Kenneth Price's prosaic poet Snodgrass at next week's Literary Festival; but the essence of the stories is presented, and we must colour the personae according to our own recollections. Clive Kneller's lively Cockney Sam Weller was exactly as I had always imagined him.

The set by Nettie Edwards does not try to suggest more than an idea of a garden, a law-court, a prison or whatever. What it shows is a romantic extract of Dickensian imagination, a great two-deck construction, with a staircase each side of an inner stage on the lower level, and a ladder too for those who need one , as a surprising lot of characters do. Events move where they are suited, though major items like Winkle's duel with Slammer, Mrs Bardell's case, Pickwick's cosy days in gaol, congregate downstage downstairs. The costumes are true to the spirit of Robert Seymour's original illustrations.

B.A. Young

TELEVISION

Convulsions of mind and matter

This is always a rich season, new series dropping as abundantly as acorns. One feels almost sorry for Christopher Dunkley, customary occupant of this space, who is away on holiday. Sunday evening saw the opening instalments of *The Birth of Europe* (BBC 2) and Jonathan Miller's *Madness* (BBC 2), screened one after the other which was rather like following roast duck by serving swan, particularly as the first was tender and the second distinctly tough.

For a few seconds at the start of *Madness*, we could see just how fascinating a history of the disordered mind ought to be. Haunting 19th-century photographs of asylum inmates were interspersed with film of today's lunatics, madly laughing and ranting. Ten per cent of the population of the western world will undergo psychiatric treatment, warned Dr Miller, although the meaning of that often-quoted statistic is not at all clear. Do you count as part of the ten per cent when you ask the doctor for drugs because you cannot sleep and feel depressed because your lover has left or the boss hates you?

However, even if that ten per cent includes apparently trivial cases, many people's lives are shadowed by dealing with the consequences of the mental disorder of others. A history of madness is, then, a documentary-maker's ideal subject, highly visual and relevant to us all. Unfortunately, it is also a subject burdened with intellectual chic, and it seems to have crushed Jonathan Miller. All the pathos and immediacy of his subject disappeared in an introduction which was slow, pretentious, and tinged by the familiar vice of presenter's vanity.

Miller bestrode this introduction like the intellectual colossus we know so well. For minutes at a time he expounded, pacing about a room draped with sheets and with plastic windows. Presumably it represented alienation, a deserted mental ward perhaps. Oddly, among the drapes dangled TVs so that as film shot on location ended, Miller could swing towards us with his comment, as if presenting *Newsnight*.

"What I'm trying to get a grip on, but the idea slithers out of my grasp . . .", recommenced the brooding sage. In that case, one was tempted to remark tartly, hold your tongue. Few television clichés are more irritating than the phoney "Voyage of Discovery". Miller's *Madness* showed that intellectual pseudo-journeys are quite as tiresome.

We are told that classic mega-budget documentaries are endangered in the coming ice age about to engulf British television. It makes the spectacle of money wasted on silly gimmicks all the more irritating. Why was it necessary to take Miller to medieval sculptures of the Last Judgement in a Paris museum? Why not use a photograph? Ah but no, a subtle point was being made; these were *plaster casts*, "an internal mould of a mentality which no longer exists in this form."

As an introduction to a series this first programme was disastrous, but I am happy to report that infinitely better things are to come. The next three episodes of *Madness* are very fine indeed, highly informative, sad, and frequently shocking. They show not a trace of PPS (pushy presenter syndrome) but rather the comforting sense of being escorted by a Hampstead Virgil through the infinite circles of mental hell.

There is no presenter in *The Birth of Europe*, and no talking heads. Instead, we can listen to a succinct script of rare intelligence, and revel in marvellous photography. Somewhat idiotically, *Radio Times* billed this as a nature programme, presumably because it comes from the Natural History unit in Bristol. Michael Andrews, executive producer and author of the book (a fascinating read: £18.95 from BBC Books), made the prize-winning *Flight of the Condor*. This series is in fact a history of European civilisation, told from the geophysical point.

It tells an intensely dramatic story, of the convulsions of continents, of huge changes unleashed by just a few degrees rise in temperature. Every school in the land should be recording the series. I was brought up on a view of evolution based on a Dutchman, Van Loon, who drew a small ape walking up a long, winding path and by gradual stages changing into Neanderthal man and then, at the peak, standing tall as Homo sapiens. Thanks to David Attenborough *et al*, I had corrected the early bit of the sequence, but I confess that until Sunday night I was pretty sure that Neanderthal man became us.

Now the picture has entirely changed. Hominids and Neanderthal man battled it out with each other, but climatic change favoured the survival of the former. Neanderthal, brought splendidly to life in this programme, was doomed. It seems that he was a gentle soul, accustomed to laying flowers in the graves of his dead. Far from life spent hunting giving rise to a brutish society, Neanderthals were better fed and had more leisure time than our ancestors, once they had become cursed by the discovery of agriculture.

Again, I have been looking ahead. Apart from feeling slightly becalmed among the Minoans in next week's programme, what I have seen suggests that *Birth of Europe* is first-class. Here is a true classic of the genre, one which is clear enough for a child to understand, and yet tells a story of extraordinary potency. Things we know about, like the Black Death and the invention of the steam engine, start to look rather different stitched into a design dictated by climate or geology. Re-enactments of physical processes such as bronze-making are memorable and the music is, on the whole, a bonus although I am sick and tired of pan-pipes standing for primitivism. Claimed as the most expensive documentary ever, I suspect that *The Birth of Europe* will prove to have justified every penny spent.

Not much money can have gone into *Sumo* (C4), an account of the glorious career of Chiyonofuji. This little guy rose to become all-out champion sumo-wrestler, reigning for a decade until he retired this year. He certainly did not remain a little guy, but even at the end of his career was still some hundreds of pounds skinnier than the slabs of meat he flung out of the ring. I watched partly to discover quite why he became such a sex symbol and up to a point, it is understandable. The face of "The Wolf" has remained sweetly pretty. But I also wanted to find out more about sumo, the sport which, we are endlessly told, is saturated with Shinto religion. This meat-headed programme gave exactly as much time to matters spiritual as you would expect in a profile of Gazza.

Omnibus (BBC 2) devoted itself to a portrait of the blond idols of the ice, *Torvill and Dean*. Long years ago, as a nasty little girl I went through a phase of watching ice-hockey on the box because it was so intensely enjoyable when the competitors fell. Omnibus, it appeared, was going to take a serious look at the sport, ask whether it has evolved into a Serious Art Form. The happily named Ms Kisselgoff, a New York dance critic, assured us that it had. Unfortunately, no one was invited to speak for the other view, and the programme was simply a hagiography of T. and D.

Their latest work "deals with the realities of relationships", and explores (of course) "ambiguity". Dean choreographs searing dances about the falling idols of the Soviet Union (not the sort of tumbles I used to hope for) and political repression in South America, this last set to a particularly horrible piece of pan-pipery. The fans do not always get the point. Neither did I.

Patricia Morison

More drama to come: Neanderthal Man in 'The Birth of Europe' and Jonathan Miller on 'Madness'

Die Zauberflöte

THEATRE DU JORAT, MEZIERES

To the south of Mézières, you can glimpse the brow of Mont Blanc, still snow-clad after this long, hot summer; to the north lies the rugged silhouette of the Bernese Oberland. Mézières itself is a tidy village in the high farmland above Vevey in Switzerland. An unlikely home for opera, you might think. But here lies the Théâtre du Jorat, an 80-year old wooden building perfectly tailored to its surroundings, which the Opera de Lausanne has used for an autumn production in recent years.

Performances at Mézières are a wholesome experience, partly because of the rustic setting at dusk and partly due to the informal, unpretentious audience. The seats are hard benches, the sightlines are perfect and the acoustic has a mature, unreverberant resonance. There is just enough room in the pit for a small orchestra. The rapport between stage and audience is close. Somehow Mézières always inspires artists to give of their best.

This year there were six performances of *Die Zauberflöte*. The staging was by the young French duo, Patrice Caurier and Moshe Leiser, whose previous work in the French-speaking world (including *Les Troyens* at Lyon) has been well noticed. Their *Zauberflöte* was inventive, funny and unpredictable. They made a virtue of the theatre's simplicity – no clever concepts, elaborate decor or complex stage machinery – and thereby complemented the music's own innocent beauty.

At the same time, the ambiguous treatment of Sarastro's followers – in drab working-class suits, shrouded in half-light (with Sarastro himself cast as an 18th century philosopher) – meant the work's darker side was not glossed over. The production's only liberty was a series of special effects (devised by Alain de Moyencourt), including fireworks before the Queen of the Night's entry, an endearing set of puppet animals and Papageno's real-life birdcage. None outstayed its welcome. Each lent its own sense of enchantment. Only in the trials of fire and water – using the stage trap-doors which had already provided some splendid *coups de théâtre* – did the production run out of steam.

The cast was an international mix of talented singers who have not been around long enough to pick up bad habits. Manfred Hemm was in his element as Papageno, drawing the audience into the comedy without playing for cheap laughs. Reinhard Hagen, the handsome Sarastro, sang with evenness, colour and musicality. The Dutch soprano Elena Vink made a clean, confident sweep through the Queen of the Night's music. Yong Jiang from Shanghai was the petite, transparently pure Pamina. The only disappointment was Marek Torzewski's Tamino, sounding less confident in German than in his previous Mozart performances in Italian.

Armin Jordan conducted. His accompaniments share the same breath as his singers. He gives Mozart's lower string cantilenas their due. He has worked on countless productions of this opera elsewhere, but the result here – with the Lausanne Chamber Orchestra – was bracingly fresh and unostentatious, an antidote for anyone in danger of confusing Mozart style with authentic performance practice.

Andrew Clark

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

Deutsche Oper 20.00 Peter Keuschnig conducts a revival of Wolfgang Rihm's Oedipus, staged by Götz Friedrich, with Andreas Schmidt in the title role, repeated on Oct 12, 18. Tomorrow: La bohème (West Berlin 3410 249)
Staatsoper under den Linden 19.00 Fabio Luisi conducts I vespri siciliani, also Fri. Tomorrow: *choreographies by Balanchine*, Bogaerts and Forsythe (2004 762)

■ BIRMINGHAM

Symphony Hall 19.30 Walter Weller conducts the City of Birmingham Symphony Orchestra in Mozart's Linz Symphony and Bruckner's Seventh. Tomorrow: Victor Borge. Sat: Yehudi Menuhin is conductor *and soloist* with the English String Orchestra. Mon: Israel Ballet (021 212 3333)

■ COLOGNE

Opernhaus 19.30 Leontina Vaduva sings Adina in L'elisir d'amore. Tomorrow and Sun: Lady Macbeth of Mtsensk. Fri: James Conlon conducts Willy Decker's new production of Der fliegende Holländer, with a cast led by Robert Hale, Lisbeth Balslev and Gary Bachlund. Sat: Don Giovanni (221 8400)

■ HAMBURG

Staatsoper 19.00 Gerd Albrecht conducts Tony Palmer's new production of Simon Boccanegra, with Bernd Weikl in the title role, Maria Guleghina as Amelia and Yevgeni Nesterenko as Fiesco. Further performances on Oct 13, 17, 22, 25, 30, Nov 2, 8, 12. Tomorrow: Madama Butterfly. Fri and Sat: Neumeier ballets (351555)
Deutsches Schauspielhaus This week's repertory includes a new production of Brian Friel's Dancing at Lughnasa directed by Michael Bogdanov (tomorrow) and Shakespeare's The Tempest on Sat and Sun (248713)

■ LEIPZIG

Gewandhaus 20.00 Helmut Rilling conducts the Leipzig Radio Symphony Orchestra and Chorus in a Mozart programme: extracts from König Thamos and the Mass *in C minor. Tomorrow: John Eliot* Gardiner conducts the North German Radio Orchestra in music by Mozart, Mendelssohn and Rakhmaninov. Sat: Kurt Masur conducts Britten's War Requiem (7132 252)
Opernhaus 19.30 Lothar Zagrosek conducts Die Entführung aus dem Serail, also Sat. Fri: Ligeti's Le grand macabre. (7168 273)

■ LONDON

MUSIC
Covent Garden 19.30 Sian Edwards conducts Nuria Espert's production of Rigoletto, with Piero Cappuccilli in the title role and Judith Howarth as Gilda, repeated on Sat. Tomorrow: Das Rheingold (071-240 1066)
Coliseum 19.30 The Mikado, also Fri. Tomorrow and Sat: La bohème (071-836 3161)
Royal Festival Hall 19.30 Arturo Tamayo conducts the BBC Symphony Orchestra in Haydn's Symphony No 83, Falla's Three Cornered Hat and Xenakis's Dox-Orkh, with Christine Cairns soprano and Irvine Arditti violin. Tomorrow: Tennstedt conducts Wagner (071-928 8800)
Barbican 19.45 Mitsuko Uchida directs the English Chamber Orchestra in a programme including the Horn Concerto No 3 with Frank Lloyd, and Piano Concertos 17 and 19. Tomorrow, Fri and Sun: Takemitsu festival (071-638 8891)
Sadler's Wells 19.30 Phoenix Dance Company, all-black troupe. Daily till Sat (071-278 8916)
THEATRE
National Theatre
David Hare's new play Murmuring Judges, directed by Richard Eyre, *has a final preview tonight in the* Olivier before tomorrow's opening. The Cottesloe has Daniel Mornin's new play At Our Table, directed by Jenny Killick (071-928 2252)
Royal Shakespeare Company
Terry Hands' final production as artistic director is Chekhov's The Seagull, with a cast led by Susan Fleetwood (tonight and tomorrow in the Barbican main theatre). Oscar Wilde's comedy A Woman of No Importance, directed by Philip Prowse, can be seen on Sat, with a cast including John Carlisle, Carol Royle and Julie Saunders. Ibsen's political drama The Pretenders, directed by Danny Boyle, can be seen in The Pit on Fri and Sat (071-638 8891)
West End theatre
The Glory of the Garden, a new comedy by Stephen Mallatratt about the effects of Arts Council policy on an unknown northern theatre, opens tonight at the Duke of York, directed by Robert Herford and starring Jill Gascoine (071-836 5122). Derek Jacobi and Robert Lindsay star in Anouilh's Beckett, directed by Elijah Moshinsky at the Theatre Royal, Haymarket (071-930 8800). The Young Vic has David Thacker's production of Shakespeare's The Winter's Tale, with Trevor Eve as Leontes, till Oct 19 (071-928 6363). The Almeida has Andrei Serban's production of Euripides' Hippolytos, starring Janet Suzman as Phaidra and Ian McDiarmid as Theseus, till Oct 26 (071-359 4404)
Japan Festival
A Grand Sumo Tournament opens this evening at the Royal Albert Hall, continuing daily till Sun (071-589 8212). At the National Theatre, the Lyttelton has a Grand Kabuki show, presented by the Shochiku Company, daily till Oct 19, except Sun (071-928 2252). The centrepiece of the Japan Festival is the Visions of Japan exhibition at the Victoria and Albert Museum. Japan Festival box office: 071-413 3310

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Itzhak Perlman and Daniel Barenboim play four Mozart violin sonatas, with a second programme on Sun (721-6500)
Metropolitan Opera 20.00 Thomas Fulton conducts Un ballo in maschera, with a cast including Leona Mitchell, Sumi Jo, Stefania Toczyska and Peter Dvorsky, also Sat matinee. Tomorrow: first night of new production of La fanciulla del West (362 6000)
JAZZ/CABARET
● Blue Note: a jazz club with dining facilities, this week featuring the jazz and blues guitarist and vocalist George Benson with the Count Basie Orchestra (131 W. 3rd St., near Sixth Ave., 475 8592)
● Eighty Eight's: for four weeks, the upstairs of this intimate Village night-spot is hosting Sylvia Syms, who presents favourites from her long and distinguished career, with pianist Fred Hersch and tenor-sax player Loren Schoenberg. Fri, Sat, Sun only *(228 W. 10th St., 924 0088)*
● Carlyle Hotel: Karen Akers, a balladeer with a refined, smoky alto and a string of Broadway credits as an actress, presents material from her recently-released album (Madison Ave. at 76th St., 744 1600)
● Michael's Pub: the midtown restaurant and jazz lair currently featuring Stan Freeman in a one-man musical depiction of Oscar Levant (211 E. 55th St., 758 2272)
● Ticketron answers inquiries and sells tickets for all the main theatre shows on and off Broadway *(246-0102)*

■ VIENNA

Staatsoper 18.30 Claudio Abbado conducts the Tarkovsky production of Boris Godunov, with a cast led by Robert Lloyd, Heinz Zednik, Kurt Rydl, Monte Pederson and Marjana Lipovsek, also Sun. Tomorrow: Il barbiere di Siviglia (51444 2960)
Musikverein 19.30 Georges Prêtre conducts the Vienna Symphony Orchestra in Mahler's Sixth Symphony, repeated tomorrow and Fri. In the Brahms Saal tonight and on Fri, the Küchl Quartet plays string quartets by Beethoven Ligeti and Dvorak (505 8190)

■ WASHINGTON

MUSIC AND DANCE
Opera House 20.00 Ballet West, the Salt Lake City-based company, has two programmes this week. Tonight and tomorrow: triple bill including John Neumeier's new work Age of Anxiety, a Kennedy Center commission with music by Bernstein, together with *choreographies by Balanchine and* Peter Anastos. Fri, Sat and Sun: Anna Karenina, a full-length ballet choreographed by André Pokrovsky with music by Tchaikovsky (467 4600)
Terrace Theater 19.30 *Paul* Badura-Skoda plays piano sonatas by Mozart. Fri in Kennedy Center Concert Hall: Warsaw Philharmonic Orchestra plays music by Beethoven, Prokofiev and Shostakovich (467 4600)
THEATRE
Tru: Robert Morse recreates his Tony Award-winning performance in this one-man tour de force about *the life of the American author* Truman Capote, written and directed by Jay Presson Allen. Daily except Mon till Oct 20 (Eisenhower Theater, 467 4600)
The Time of Your Life: William Saroyan's play, set in San Francisco in 1939, directed by Liviu Ciulei. Daily except Mon till Oct 27 (Arena Stage, 6th and Maine S.W., 488 3300)

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2300-2330 *World Business Today*
0100-0130 Moneyline
Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads
Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY
CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY
Superchannel
1800-1830 FT Business Weekly
Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly
CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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Sweden's new model

FOR MR Mikhail Gorbachev, the "Swedish model" has been the acceptable alternative to Leninism. Alas poor Mr Gorbachev, the Swedish model is about to undergo fundamental redesign at the hands of the new minority government, headed by Mr Carl Bildt. The age of collectivism, says the prime minister, is over. Sweden is to be turned into a normal European country.

The Swedish model, the world's most intelligent form of socialism, rested on four pillars: a free market in goods (though not in capital), active labour market policy, centralised wage bargaining and a highly developed welfare state. The new government has no doubts about the first two of these. The entry into the European Community on which Mr Bildt has long set his heart will both reinforce and extend commercial freedom. Nor is the future of the active labour market policy in doubt. This must be maintained, not least because unemployment is rising sharply and may go to the high level – if only by Swedish standards – of 4 per cent.

What must change, says Mr Bildt, is centralised pay bargaining – on which he may be mistaken – and, above all, the high level of welfare spending – on which he is certainly correct. At 57.7 per cent in 1990, Sweden's tax revenue as a share of gross domestic product was almost 10 percentage points higher than that of Denmark, the next most profligate European country, and 18 percentage points higher than the average for OECD Europe. In view of its effects on economic performance, this burden should no longer be borne; given the international mobility of capital and skilled labour, it probably can no longer be borne.

Poor performance

The poor performance of the Swedish economy lies behind the electorate's willingness to accept change. While Sweden's employment record has been admirable, average annual GDP growth in the 1980s, at 1.8 per cent, was below that of every significant OECD country, bar the Netherlands. Inflation has been above levels in its main trading partners, while the Swedish krona has been on a rake's progress, falling from SKr 2.2 to the D-Mark at the beginning of 1981 to SKr 3.65 today.

Yet Sweden's non-socialist coalition government is not launching a Thatcher-style crusade to destroy the legacy of Social Democratic rule. Mr Bildt plans to trim rather than roll back the empire of the welfare state. His aim is to reduce the share of public spending in GDP by some 5 percentage points over four years, which would still leave it the highest in Europe.

Sharp break

Nor does the new government represent a sharp break in the continuity of government. It was the outgoing Social Democrats who established a new Swedish consensus of a freer market economy, featuring deregulation, greater competition and more freedom of choice. But Mr Bildt can rightly claim that he, more than any other political leader, recognises what has to be done to make Sweden more productive and competitive as it integrates into a wider Europe.

One question is whether what Mr Bildt plans to do will be enough to restore dynamism. Another is whether those whose livelihoods depend directly on Sweden's bloated welfare spending will tolerate even the modest changes his government plans.

It is to be hoped that the government will succeed. Mr Bildt could even argue that in cutting welfare spending and opening up the economy, he is restoring the true Swedish model – the successful one of the 1950s and 1960s. What his government is rejecting is subsequent elephantiasis of the state.

Success is also desirable from a broader EC viewpoint. As a stable democracy, an industrial innovator, a source of imaginative labour market policies, a believer in free trade and even as a source of money, Sweden has much to contribute to the new Europe. Sweden may need the EC, but the EC also needs Sweden. Mr Bildt's government is determined to make Sweden more European. The Community, in turn, should embrace the new Sweden at the earliest possible opportunity.

Wet proposals for water

THE GOVERNMENT'S new consultative paper on competition in the water industry is perfectly sensible as far as it goes; but it is not at all clear that it is likely to go anywhere at all. "There is no statutory monopoly in the supply of water or sewerage services", as the paper proclaims; but there is hardly any need for one. As the announcement goes on to say, in what must be the official understatement of the year, or even the decade: "Statutorily appointed water undertakers and sewerage undertakers have considerable advantages in practice." In other words they enjoy, for the most part, a natural monopoly – the most reliable kind.

The purpose of the new proposals is to increase the scope for what are called inset appointments – in other words, to allow outsiders to bid for servicing greenfield sites and for large new bulk contracts. Such competition was always envisaged when the industry was privatised, and Ofwat, the regulator, would like to see more of them. It could hardly see less, since although half a dozen bold spirits have offered their services, no appointments have yet been made.

New powers

To ease the path of future adventurers, Ofwat's director-general is asking for new powers (which would require legislation) to hold the ring between the existing water companies and the new entrants who might require bulk water supplies, or connection with main sewers. It is also proposed to abolish a rule which requires any greenfield site within 30 metres of an existing water or sewerage system to use that system; in theory every building developer can bid to sink his own borehole or build his own sewage farm, providing he can meet the very demanding public health requirements involved. In practice, the water companies are unlikely to lose sleep over this competitive threat.

The proposals about bulk supplies are more likely to bring some practical results. Up to now, Ofwat has had no power to prevent a water undertaking from stonewalling over terms if it is approached by a would-be competitor for a bulk supply or a connection. If the director-general gets the new powers he wants, he will be able to bang heads, and large users may enjoy real competition for their custom. Users of all sizes who have premises on the borderline between two undertakings will also have enhanced freedom to decide which supplier will get their custom.

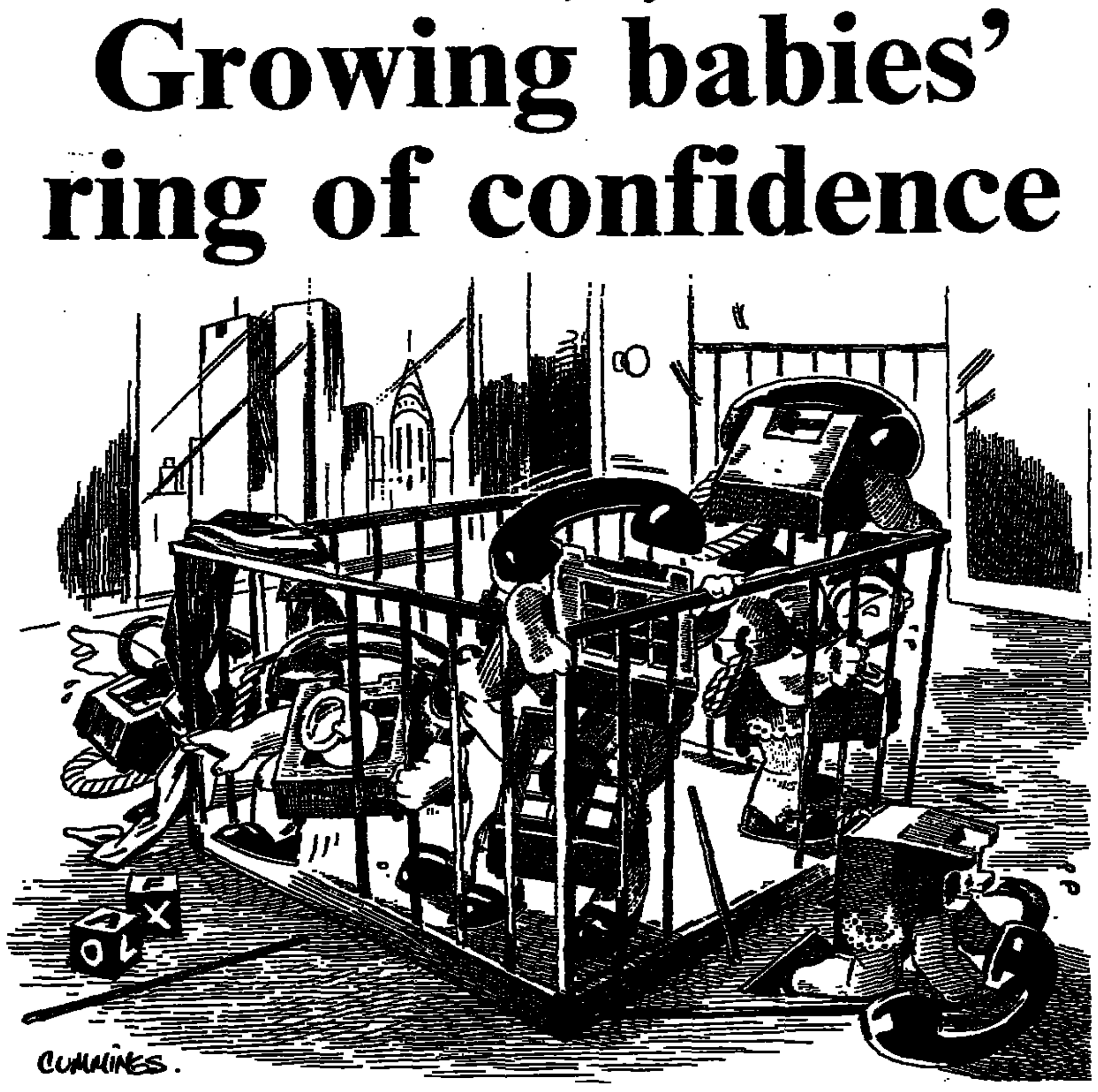
Small dents

All this may (or may not) make a few small peripheral dents in what will remain natural monopolies. However, it is hardly the kind of regulatory crackdown which the great majority of customers, forced to pay sharply higher prices for supplies which they may then be forbidden to use, may have been hoping to see. They might conclude that the government has decided, as it has from the start, that while the interest of users and of shareholders must be given equal weight, the interest of shareholders are more equal than those of customers.

This would be wrong, though; for while profits will certainly benefit from a regime of undemanding targets and retrospective tightening, Ofwat's warnings about dividends makes it unclear how much this will do for shareholders. Moreover, the whole system generates an uncertainty which must be reflected in share prices. The good progress already made with the investment programme (up to schedule) and with capital costs and operating margins (better than expected, by far) should make it possible to move far more quickly to a stable regime in which margins are fairly tightly and predictably controlled, and undertakings are free to raise their future capital requirements in the equity as well as the loan market. It is only when such a regime has had time to play itself in that privatisation will be able to deliver its real potential benefit: an industry able to plan its investment logically, under regulatory rules which will always have to take the place of competition for nearly all practical purposes. To pretend otherwise is not so much unconvincing as irrelevant

A court ruling has encouraged supporters of America's regional phone companies, but critics still attack them, says **Martin Dickson**

Growing babies' ring of confidence



Imagine, if you can, seven fat, pampered babies screaming to be let out of their playpen.

While they prise away at the bars, an assortment of nannies, siblings and other children stand around bickering. Some want to let the babies loose, arguing that they will enrich family life. The others fear they will smash everybody's toys and ruin their games. The house incessantly echoes to that commonest of children's cries: "It's just not fair."

That, in essence, is the argument that has raged in the US for the past seven years over the future of the so-called "Baby Bells" – the seven regional telephone companies created in 1984 when American Telephone & Telegraph, the dominant US telecommunications company, was broken up in an anti-monopoly court case.

The settlement of that suit involved AT&T keeping its long-distance telephone service and its equipment manufacturing operations, but with both markets being thrown open fully to competition. The Baby Bells were severely limited in the business areas they could enter, on the grounds that they had to be prevented from using profits from their local monopolies to act uncompetitively in other markets.

The Baby Bells were banned specifically from expanding into three related areas – long-distance phone calls, electronic information services, and equipment manufacturing.

Now, however, two important court rulings – one in July and one on Monday – appear to have lifted the ban on information services, while Congress is considering a bill which would scrap many of the manufacturing constraints.

The two measures will affect the shape of large parts of the US telecommunications and information industries into the next century. So it is hardly surprising that the battle for and against the Baby Bells has involved some of the most powerful interest groups in the nation.

Ranged against them have been several industries with a vested interest in protecting their patches: AT&T, and much of the telephone equipment manufacturing sector; the newspaper publishing industry; long-distance telephone carriers; and the cable television industry. They have also faced opposition from leading consumer groups, and the redoubtable Judge Harold Greene, the man who oversaw the 1984 AT&T court case and is still responsible for its implementation.

But the seven have plenty of muscle, too. Indeed, the nickname "Baby" is a complete misnomer: with a combined annual revenue income approaching $80bn (£47bn) – roughly four times that of British Telecom – they are neither small nor helpless. They control more than half the nation's telecommunications assets and account for some 80 per cent of the local telephone market.

Their efforts to enter information services – from home banking to electronic yellow pages – and equipment manufacturing have had the backing of two powerful agencies: the federal Justice Department – which brought the anti-trust case against AT&T – and the Federal Communications Commission, the government body which oversees the industry.

The tortuous course of the battle underlines the difficulty of creating a coherent national policy on telecommunications in a country with all the constitutional checks and balances of the American political system. Some industry analysts, particularly Baby Bell supporters, argue that this policy vacuum means the US risks losing, or may already have lost, its technological leadership of the industry. They point to the rapid advances, especially in fibre optics, being made in Japan and France, which have strong, centrally dictated policies. "In the US," complains one senior Bell executive, "everyone's in charge and no one's in charge."

Others, however, argue that grand national strategies are far less important catalysts than technology and competition. The former played a big part in the break-up of AT&T, for it was the emergence in the late 1960s of smaller rivals – notably MCI Communications – which made creative use of advanced switching equipment, and Ma Bell's subsequent efforts to crush them through predatory pricing, which led to the Justice Department's suit.

From birth the Baby Bells bawled to be let free, but they faced a strict nanny in Judge Greene. Over the years he allowed them considerable latitude in expanding their business interests outside telecommunications but he consistently refused to allow them into the three forbidden areas.

However, the tide of political sentiment shifted radically in 1987 when, in a remarkable about-face, the Justice Department announced that the industry had been so restructured by the AT&T break-up that it was now acceptable for Baby Bells to operate in both the equipment and information services markets.

At the centre of the Baby Bells' case has been the argument that vertically integrated companies – handling everything from local calls to equipment manufacturing – are the most efficient means of organising the telecommunications industry, offering substantial economies of scale and technological clout. Opponents, however, have insisted that the Bell companies must not be let loose because of their monopoly over local telephone calls. This means, for example, that in the case of information services the Baby Bells would have a vested interest in providing poor-quality telephone lines to rivals or charging them exorbitant prices. Second, they say, the Baby Bells would use profits from their local phone services to drive down the price of information services and equipment, and put rivals out of business. The result will be less competition and innovation.

The Baby Bells counter these claims by maintaining that in the field of information services the bar on their entry has deprived US consumers of a host of new services which they could provide. And, touching a raw nationalistic nerve, they said the ban was a significant factor in discouraging them from investing in broadband fibre optic networks – the new technology which allows sound, data and images to be carried in one cable with much greater fidelity than now. Broadband is expected to transform the way the world communicates over the next 25 years, and the Bell companies suggest the US is in danger of trailing competitors such as Japan and France in its adoption of the technology.

The Baby Bells argued that vertically integrated companies are the most efficient way to organise the telecommunications industry

Such arguments are dismissed by critics, who say that the Baby Bells have no expertise in information services and suffer from a bureaucratic approach to business which will stifle initiatives. Despite their scare tactics, the critics add, the Bells have no intention of installing fibre optic networks to the home, because the cost is prohibitive and demand for the services they can deliver is, at present, limited.

The Baby Bells have also raised the nationalistic flag in the equipment manufacturing field, pointing out the increasing share of the US market held by foreign manufacturers. In 1982 the US had an international trade surplus in telecommunications equipment of $200m; in 1990 there was a deficit of $1.8bn.

The seven regional giants say it is ridiculous that they are allowed to carry out basic telecommunications research yet are barred from translating these efforts into manufacturing or even designing equipment. The result, they suggest, has been seriously to retard America's development of new products.

But the existing US manufacturers, such as AT&T, reply that if the equipment ban is lifted the Baby Bells will favour their own manufacturing subsidiaries rather than buying from outsiders. Long-distance carrier MCI, which does not make equipment itself, argues that independent companies would be forced out of business and the Bell manufacturers would, as before the break-up of AT&T, "retard innovation and reduce choice".

All opponents of the Baby Bells believe they will use their monopoly profits to cross-subsidise information services and equipment manufacturing. However, this, too is a matter of contention. Both the Justice Department and the Federal Communications Commission say that the much greater sophistication of regulatory techniques over the past 20 years means the Baby Bells cannot cross-subsidise without detection.

Critics are unconvinced. Judge Greene, for example, says that "what cannot be over-emphasised is that, as the structure of a corporation becomes more complex, and as it deals in more and more different products and services, it becomes increasingly difficult for regulation and regulators to oversee its operations and restrain anti-competitive efforts".

However, Judge Greene has long been accused by Baby Bell supporters of viewing the industry through narrow, anti-trust eyes, and of trying to be a one-man telecommunications regulatory agency. He has, indeed, been forced to back down by the courts. The US Court of Appeals ordered him to remove the ban on Baby Bells providing information services unless he was certain that to do so would lessen competition.

In lifting the ban last July, Judge Greene made clear his personal opposition: it hardly made sense, he said, to "turn a key ingredient of the emerging information society over to corporations who not so long ago were involved in major violations of the anti-trust laws, and who even now seem ready to engage in anti-competitive practices whenever the opportunity presents itself. Indeed, it would be difficult to conceive of a step less in the public interest".

Moreover, in an unusual move, he "stayed" or stopped his ruling coming into effect until it had been reviewed by an appeal court. On Monday, a Washington appeal court overturned that restriction, allowing the Baby Bells to go ahead in the information services sector immediately. Their opponents will continue fighting a rearguard action, trying to take the case to the Supreme Court while also seeking legislation in Congress to stop the Baby Bells entering the business. But their chances now seem slim.

A leading lobby group, the American Newspaper Publishers Association, which is worried that electronic yellow pages run by the Baby Bells would depress press advertising revenues, wants legislation to place tight restrictions on their entry into information services, or halt it altogether until there is more competition in the local telephone market.

That would stop the Baby Bells in their tracks, for although their monopolies are starting to erode – thanks to new technologies such as cellular telephones and private fibre optic networks for business users – they still account for most local telephone traffic.

The Bell companies, however, hope that the green light from the court will reduce the effectiveness of the ANPA'S congressional lobbying and will help them see off attempts to intertwine the information services issue with the equipment bill.

Beyond these legislative goals, another one glitters in the distance for the Baby Bells, which are also keen to get into the cable television industry, with its $18bn a year in revenues. Monday's court ruling removes one of the hurdles preventing the Bells getting into cable, which is a form of information service. But there is another: legislation governing the cable industry forbids telephone groups from participating. And the cable companies, terrified of their telephone rivals, will fight hard to keep it that way.

Even if the Baby Bells get only half of what they want, they will emerge from the playpen as formidably bulky adolescents. But their mixed diversification record since 1984 leaves the question open as to whether they will grow up lean and athletic, or flabby teenage bullies.

OBSERVER

Divorce, Moscow-style

■ The Soviet-led trade organisation Comecon, supposed to cease existing last weekend, is proving hard to kill. It is still alive and twitching, after a dispute over property reprieved it for another 50 days.

At issue is the Moscow skyscraper housing Comecon headquarters, whence the Russians are trying to expel their former East European comrades. They in turn, although heartened by Germany's decision to pursue claims on behalf of the ex-GDR, are pinning their last hopes on Mikhail Gorbachev and Boris Yeltsin.

President Lech Walesa, Czechoslovakia's Václav Havel and Hungary's Jozsef Antall have called on the Soviet duo to intervene in this messy Comecon divorce. The Soviet side has offered the former satellites a few dozen million roubles to vacate a prime piece of real estate – paltry compensation for their investment in the 30-floor edifice. The East Europeans, however, want to keep the building to house business emissaries trying to revive trade with the Soviet Union.

Moscow's mayor Gavriil Popov, now occupying a couple of floors ceded to him by the Soviet delegation, has told Comecon the land under the building belongs to Moscow. But to justify his occupation of the building itself, this pre-eminent democrat has only an agreement made between the old regime and former East European dictators. It says the Soviet Union has the last word on disposal of any Comecon assets.

Left to trust

■ As Pilkington struggled yesterday to try and convince everyone it is not really leaving its ancestral home of St Helens, it had one ace up its sleeve which it couldn't officially play.

Sir Antony Pilkington, chairman of the giant glassmaker, will definitely carry on as chairman of the Community of St Helens Trust, the UK's first enterprise agency and the model for 300 others across the nation.

But Pilkington has always pretended that the trust – which helps in developing new small businesses – stands entirely separate from the company, even though it has shelled out more than £1m in cash and kind to ensure the effort succeeds

The trust was created in 1978 by former Pilkington manager Bill Humphrey, who reasoned that since the company was creating much of the unemployment in the town, it should do its bit to foster fresh growth. Sir Antony has missed only two board meetings out of 50: one following a minor accident, and another when he was fighting off BTR's 1986-87 bid for his company.

With the HQ of the core business transferring to Brussels, more unemployment at hand, and its offices to let, his role at the trust could be crucial for Pilkington's caring credentials.

Basted Heath

■ The temperature soared in more than one way during Ted Heath's first fringe address at the Conservative conference for 16 years.

First, literally: the Blackpool hall became increasingly oven-like after the ventilation was switched off to enable those at the back to hear. Second, metaphorically: the former prime minister's words were accompanied by a fiery critical commentary from by Young Conservative right-wingers, particularly his calls for more European integration.

Despite the heat, the old campaigner was in good form. Noting that Peter Walker was "in Tokyo at the moment," he added: "That's a long way to go to escape the party conference."

He also unfashionably acknowledged a debt to the Communist party, whose candidate had polled a crucial 486 votes when Heath first won a seat in Parliament with a majority of 133 in 1950.

She-spiel

■ By the skin of their teeth Chinese scholars have saved from extinction an ancient language spoken and read for 1,000 years in a remote region of central China… but only by women. Just one 83-year-old survives who can both read and write the Nushu script's 400,000 characters.

Nushu means "women's script" and was scorned by men as an inferior language. Scholars believe that women, who were rarely taught to read and write, created Nushu to bemoan their lot.

The script was about to disappear. Since the 1930s women who used it were condemned as "sorcerers", and the cotton-paper books in the language were buried in their coffins in the belief they would like to grumble away in the next world.

Now a "Collection of the Women's Scripts" is to be published next month. Not surprisingly they are all very depressing. Typical is the one about the honeymoon, with the bride complaining that she must leave her family and enter her husband's home.

The origin of Nushu remains obscure, but a Chinese legend tells of a beautiful, homesick concubine of a Song emperor, who, barred from outside contact, wrote letters in a special language which the men at court found incomprehensible. Some male chauvinists might say the same of most books written by present-day feminists.

Excelsior

■ Who was the breathless man bearing the banner with the strange device on the London-Birmingham train? An official of the Arts Council whose chairman Lord Palumbo was about to proclaim Birmingham the first City of Music.

A special flag, blue with a gold squiggle representing creativity, had been commissioned by the council to fly above the city's International Convention Centre for the year. But as the ceremony drew near, the banner turned out to be still in London. Hence the rush.

Amen

■ Philosophers and theologians can cease their intellectual and spiritual agonising. The answers to the great questions that have dogged mankind are now on offer from the Inland Revenue – or so it would appear, at least, from the title of the revenue's revised pamphlet.

"What Happens When Someone Dies."

LETTERS

Why telepoint did not make the grade

From Mr Martin Wren-Hilton.

Sir, As a past user of the now-defunct BT Phonepoint service I must point out to Mr Geoffrey Vincent (Letters, October 7) that Darwinian theory of survival is equally applicable to both inventions and animal species. Bad inventions die out because they are unviable. And telepoint is probably one of the most badly thought-out inventions to emanate from Britain since the Sinclair C5 electric tricycle.

Let us not confuse telepoint, the service, with CT2, the underlying technology. While I believe there is much promise in the development of new products based on CT2 technology, such as cordless PABXs and the delivery of local-loop telephony in areas where copper wire delivery is not economical, telepoint is not one of them.

Telepoint's failure can be attributed to inherently flawed design coupled with gross marketing over-hype (and ignorance on the part of the Department of Trade and Industry which licensed the four operators). The fundamental question one must ask of any new technology, and one that I suspect Mr Vincent has failed to ask himself, is, "What does this invention offer over and above other inventions that have already made it to market?" In the case of telepoint, the answer is obvious – nothing. The promoters of telepoint were keen to avoid comparison with existing products such as cellular phones, yet the comparison was bound to be made by potential users. Falling spectacularly between two stools, telepoint was neither a cheap alternative cellular nor a more convenient alternative to public payphones.

Martin Wren-Hilton,
Interactive Voice Systems (UK),
Enterprise House,
38 Queen Street,
Maidenhead, Berkshire

Rules that bar industry from power generation

From Mr David Green.

Sir, Your report about price trends in the Electricity Pool ("Electricity regulator may refer generators to MMC", October 4) provides a much-needed insight into some significant developments in the supply of electricity that have occurred in recent months. In some cases an upward trend in pool (wholesale market) prices could provide a spur to those that seek to generate their own electricity.

However, a barrier to such potential is already beginning to be the rules under which the electricity market operates and the power they give to the pool's regulatory authorities to determine the economics of participating in the new market.

At present, for instance, the pool executive committee is seeking to persuade its own members to set aside their new business interests by acting to discourage industry from generating its own power. This trend flies in the face of the government's statements about competition and choice, and will significantly limit the attainment of the government's agreed target to double UK combined heat and power capacity and with it to cut some 10 per cent of Britain's CO_2 emissions.

If the Monopolies and Mergers Commission were to be called in by the regulator, Professor Stephen Littlechild, then the rule-making procedure of the electricity pool must be a key area of investigation if confidence is to be restored in the fairness of the structure we now have for Britain's electricity supply.

David Green,
director,
Combined Heat and Power Association,
35/37 Grosvenor Gardens,
London SW1W 0BS

Direct labour not the problem

From Mr A Spence.

Sir, In your editorial, "Reforming the NHS" (October 4), compulsory competitive tendering was mentioned.

It may have escaped general notice that when this results in a private company securing a contract it will introduce a further management tier. The number of investigative stages of complaints is also increased. But perhaps dogma rules supreme.

There was surely never anything wrong with direct labour – only management, and, by extension, the selection and training of management.

A Spence,
33 Leyfield,
Worcester Park,
Surrey

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

A case of sublime tunnel vision

From Mr P G Tyrer.

Sir, I refer to the article, "TUC chiefs branded stupid over Japan" (October 7) and the comment of Mr Ken Gill, MSF general secretary, that "when foreign companies invest in Britain they should be prepared to observe the practices of the country". What sublime tunnel vision. It is the practices of this country and its unions over some decades that have contributed to a Japanese presence.

P G Tyrer,
Pyroban,
Endeavour Works,
Dobbin Road,
Shoreham-by-Sea, Sussex

Implications of Lucas pension fund clawback

From Mr W J Wood.

Sir, Your report (September 23) that Lucas Industries plans to claw back £90m from a surplus in the Lucas pension fund – £150m cost to the pension fund before tax – has far-reaching implications for all occupational pension schemes.

The first consideration is that the surplus resulted from a combination of factors, including investment returns in excess of inflation; higher wages and therefore enhanced contributions by the workforce; and a reduction in liabilities due to redundancies.

It is also relevant to point out that Lucas Industries ceased to contribute to the fund in 1985 and this means that any benefits from the contributions made before 1985 no longer arise. (In any event, it has been acknowledged that the contributions were made to cover specific improved benefits and not to meet any deficiency in the fund.)

The problem of a surplus which cannot be used for its original purpose was seen by the government and, as a result, legislation was introduced in the 1990 Social Security Act making it clear the first consideration must be to increase pensions in payment to the maximum permitted by the Inland Revenue rules covering occupational pension schemes. Thereafter, action could be taken to reduce the surplus by reducing the level of contributions by the current workforce and allowing the parent company a contribution holiday. In this context two points are worth noting:

- It is understood that Lucas pensions have not been increased to the maximum permitted level.
- The act does not cover, or authorise, any contingency whereby companies can withdraw/retrieve capital sums from the fund.

Although the opinion of the Occupational Pension Board might be interesting, the decision over ownership of the surplus must surely be a matter for a court of law and not left for the company to help itself to the funds.

W J Wood,
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Knightstone Road,
Weston-super-Mare,
Avon BS23 2BH

Misleading

From Mr Thomas Bazley.

Sir, Joe Rogaly's perceptive piece on October 4 ("The omens are mixed") refers to the Tory charter for consumers as a "Citizen's Charter". Isn't it time to drop this very misleading name?

T S Bazley,
Eastleach Downs Farm,
Eastleach Turville,
Cirencester, Gloucestershire

No revolution as employment taxes rise

From Mr J P Read.

Sir, With reference to Mr Samuel Brittan's review of Richard Layard's "Unemployment: macroeconomic performance and the labour market" (September 30) asking why unemployment has risen so much, no mention is made of the possible effect of employment taxes.

I recollect that, in the late 1940s, wages were not taxed unless they were one and a half times the national average, whereas today a single person's earnings are subject to tax if they exceed just over 22 per cent of average earnings, reported as being almost £15,000 a year. Put another way, this represents a reduction in the value of personal allowances from £22,230 to £3,295, a reduction of just over 85 per cent.

Is it not extraordinary that such a profound shift has been achieved (while ostensibly reducing taxes) without riot or revolution? One answer appears to be that this enormous burden has been assimilated by being passed on in increasing employment costs over the period.

The trouble with this is that when the increased employment taxes, paid by the employer, are themselves passed through in higher prices, the value of the increased wage, the take-home pay, is found to be too small, so continuing annual claims are made in a vain attempt to achieve the minimum price which every one of us requires for his labour.

Unfortunately, many of those on the lower scale of earnings carry out activities which can be performed more economically by substitutes like machinery, for which the employers do not have to pay equivalent taxes to those levied on human labour.

Perhaps somebody could explain why such matters are ignored when taxes (and subsidies) are considered to be capable of changing people's behaviour in other aspects of economic activity?

J P Read,
St Anne's,
8 Turner Drive,
London NW11 6TX

Edward Mortimer

Revealing shafts of light

The US system of vetting senior appointments lets the public see how its money is being spent

FOREIGN AFFAIRS

The grand spectacle of last week in the United States was the Gates hearings. President Bush's nomination of Mr Robert Gates as director of central intelligence has to be confirmed by the Senate, like all appointments to senior government posts. As part of the process, the nominee appears before the relevant Senate committee, which may also summon other witnesses to testify about his (or her) character, record and general suitability for the job. In this case it is the Select Committee on Intelligence.

Mr Gates is an unusual nominee in that he has made his career within the Central Intelligence Agency which he is now being asked to head. Indeed he is the first to come from the Directorate of Intelligence – the CIA's analysis division – as opposed to the Directorate of Operations, which handles the side of its activities hitherto more prominent in the public imagination.

At first the main controversy about his nomination was expected to concern the Iran-Contra affair – the issue which led him to withdraw when nominated to the same post by President Ronald Reagan in 1987. Since Mr Gates was deputy director of the CIA at the time, it was inevitable that questions would be asked about his role. But he disarmed many of his critics on that score by opening his testimony with a frank apology for not doing more to investigate the affair and not being more sceptical about the explanations given by his then boss, the late Mr William Casey. Even so, many people have found incredible his claim not to remember meetings at which junior officials say they told him what was going on.

More damaging to his chances of confirmation, however, has been the testimony of several present and former CIA analysts that Mr Gates deliberately "skewed" the results of their work to fit in with the obsessive anti-Soviet bias of the Reagan administration in general and Mr Casey in particular. Mr Gates returned to the witness stand last Thursday to rebut these allegations. He did so with a wealth of supporting detail; and he has been backed by several senior CIA officials (whose careers would, of course, depend on his opinion of them if he is confirmed) as well as by his predecessor as deputy director, Admiral Bobby Inman.

But even while rebutting the detailed charges, they could not but confirm the atmosphere of bitterness and suspicion which prevailed in the agency under Mr Casey's leadership, when Mr Gates as his loyal lieutenant was seeking to extract from the Directorate of Intelligence papers that would at least address the questions that interested Mr Reagan, Mr Casey and their colleagues, and discuss them in terms that these right-wing luminaries would recognise. Mr Gates quoted at length from a speech he made to all the directorate's analysts and managers in 1982, three days after he became the head of it, in which he told them in almost so many words that their work up to that point was no good.

Senior British civil servants observing this drama give nightly thanks that they do not live under the US political system

Mr Gates presented himself as a professional analyst, willing on occasion to contradict his political masters, and suggested that Mr Bush had chosen him as such. But he admitted that he was "a very blunt-spoken person", while claiming that he is now "more sensitive" to this "as a management problem" than he was when deputy director. He also conceded, under questioning, that speeches he had made at that time, both on Mr Reagan's Strategic Defence Initiative and on Soviet expansionism in the third world, had gone well beyond analysis into prescriptive politics, and promised that as director he would "give very few speeches on substantive issues".

The overall effect seems to have been to leave serious doubts, particularly in the minds of those moderate Democratic senators whose votes will be crucial, whether Mr Gates is the right man to oversee the depoliticisation or reprofessionalisation of the CIA (assuming that that is really what the president wants).

Senior British civil servants observing this drama give nightly thanks that they do not live under the American political system. They point out, as Mr Gates himself has, that anyone introducing bold reforms or necessary changes into a bureaucracy is bound to make enemies; and they argue that encouraging subordinates to testify against superiors is hardly the way to foster mutual trust and sound working relationships.

In Britain this does not happen because of the doctrine of ministerial responsibility. Although officials can now be questioned by House of Commons select committees, they are not expected to give personal opinions differing from the official line of their department, nor to reveal anything about the internal discussions lying behind political decisions. Certainly parliament has no opportunity to interrogate them on their appointment, still less to withhold its consent. Only ministers are responsible to parliament, and in practice – thanks to the further doctrine of collective or cabinet responsibility – even they, as individuals, can neither be appointed nor removed. Parliament's only weapon is the nuclear deterrent of refusing its confidence to the government as a whole, thereby precipitating a general election. Short of that, it concedes absolute power over the administration to a single individual, the prime minister.

In the US, by contrast, the government as a whole is not responsible to Congress and cannot be dismissed by it. Yet for that reason Congress exercises far more real power over appointments and policy.

Undoubtedly that power can be and is abused. Senator Jesse Helms of North Carolina has made himself a byword for power-brokering by using his position on the Foreign Relations Committee to hold up appointments (of ambassadors, notably) until he can extract some political concession from the administration in return. The grounds on which senators vote for or against the confirmation of Supreme Court justices seem to have more and more to do with broad political issues and less and less with the merits of a particular nominee – though that seems also to be true of the grounds on which the president makes his choice. It is even possible that Mr Gates will be voted down not on his own merits but because Democratic senators lack the courage to vote against Judge Clarence Thomas, the president's ill-qualified (but black) nominee to the Supreme Court.

Yet when all is said and done I think I prefer the US system to the British, in which the CIA director's equivalent is scarcely admitted to exist, let alone exposed to public scrutiny.

Mind you, I have always been sceptical about "intelligence". Mr Gates was certainly right if he thought there was no point in telling President Reagan things he didn't want to hear, any more than Stalin wanted to hear about Hitler's plan to invade Russia in June 1941, or Golda Meir to hear about Sadat's plan to attack on Yom Kippur 1973 (both clearly visible in advance to the relevant intelligence services). In those cases, keeping such important information secret did the public a clear disservice. In other cases political leaders have tended to exaggerate the value of secret intelligence, as against other sources of information, because having exclusive access to it increased their sense of importance.

At least, thanks to the Gates hearings, the American public can make up its own mind whether its money was being better spent on the "vapid" academic analyses produced by the CIA before 1981, or on the sexier "politicised" product of the Reagan years. It may well conclude that it got rather poor value from both.

PERSONAL VIEW

Emu is no cure for problems with the balance of payments

By Tony Thirlwall

In a world of many currencies, a country's balance of payments problem is essentially a foreign exchange problem. For a specified growth of output and unemployment level it cannot earn enough foreign exchange from exports to pay for required imports at a given exchange rate. There must either be continual borrowing, or something has to give: growth, employment or the exchange rate. In this sense, Britain has been plagued by balance of payments problems for years.

Does this mean that if Britain joined a European monetary union with a single currency its balance of payments difficulties would vanish overnight? It is true that there would be no exchange rate to defend but there would still be imbalances between exports and imports which would not be naturally or easily put right by private lending and investment, or by inter-regional fiscal transfers in a federal union.

Those who say balance of payments problems would disappear draw the analogy with regions of a country using a single currency. We don't talk about the balance of payments difficulties of Scotland, Wales and the north of England, or of Sicily and Apulia. But this does not mean they don't exist. Any shortfall of a region's exports below its planned level of imports will manifest itself in slow growth, high unemployment and depressed economic conditions in general, unless its goods and services can be made more competitive through subsidies or the region receives capital inflows in the form of private sector lending or government fiscal transfers.

While it is true, therefore, that the movement from a multiple currency system to a single currency does away with the outward manifestation of balance of payments difficulties because there is no exchange rate to defend and foreign currency reserves become irrelevant, the inward manifestation of balance of payments deficits remains.

Samuel Brittan recently argued (Economic Viewpoint, June 27) that "the ability to dump the balance of payments problem once and for all is among the greatest but least emphasised advantages of Emu". In playing down the importance of the balance of payments for the healthy functioning of the real economy, he refers to the absurdity of treating trade between Sussex and Normandy entirely differently from trade between Sussex and Yorkshire when all three regions are supposed to be in a single market. He recognises that some balance of payments problems will reappear in regional form inside a monetary union.

These issues lie at the heart of the debate over sovereignty now generating so much excitement within the European Community.

Yet there are good reasons for treating trade between Sussex and Normandy differently from trade between Sussex and Yorkshire. First, Britain as a nation state may feel a responsibility for the residents of Sussex that it doesn't feel for Normandy. Second, it may feel capable of dealing with disparities between Sussex and Yorkshire through its own internal fiscal system in a way that could not be guaranteed if the viability of Sussex was being threatened by the superior competitiveness of Normandy within a monetary union.

In some circumstances, the exchange rate could be a useful weapon for protecting the inhabitants of Sussex.

The issue of the balance of payments goes deeper, however, than the question of the exchange rate alone. The role of the balance of payments in accounting for inter-country growth rate differences has been ignored for too long by orthodox economic theory which in the pre-Keynesian days argued that the balance of payments, like everything else in the economic system, was self-adjusting through the price mechanism, and then in the 1950s analysed growth performance from the supply side with no reference to demand.

The Keynesian revolution didn't help because Keynes's model was static and dealt for the most part with a closed economy. The emphasis on the imbalance between savings and investment diverted attention from the greater potential imbalance between exports and imports which in the real world may be harder to rectify. A strong export performance relative to import demand is vital to the strength of aggregate demand in the system as a whole, single currency or not.

Some economic sovereignty would be lost by movement to a single currency, but much more was lost when Britain joined the EC in 1971. The ability to protect and encourage strategic industries has gone; the possibility of designing systems of managed trade to even out payments imbalances has gone; the ability to protect against certain countries with persistent surpluses has been taken away; differential taxes which discriminate in favour of the tradeable goods sector fall foul of the Treaty of Rome.

Britain's balance of payments is chronically weak. High interest rates are required to finance deficits that arise when the country attempts to grow at no more than 1 or 2 per cent a year, which then further damages the real economy.

Three centuries ago the mercantilists recognised this dilemma with great clarity, and so did Keynes in his defence of mercantilism against the classical free traders who treated the mercantilists as "imbeciles" (Keynes's word). As Keynes rightly recognised, the interest rate required for external balance may be out of line with that required for internal balance. That problem also doesn't go away in a single currency area with depressed regions (or countries) competing for investment funds.

Britain needs all the monetary and fiscal instruments it can muster to break 40 years of weak balance of payments, slow growth, depressed demand, de-industrialisation leading to further balance of payments weakness. To believe that weak export performance, import penetration, the deterioration of the industrial base leading to slower growth and rising unemployment would disappear with a single currency is to turn economics into a branch of theology.

The author is professor of applied economics at the University of Kent at Canterbury.

FINANCIAL TIMES
Wednesday October 9 1991

Japan puts finance culprits on show

Real test for the authorities will be the ability to achieve reforms says Stefan Wagstyl

The Japanese Ministry of Finance knows how to put on a good show – yesterday's public punishment of the four leading securities companies is one of a series of performances designed to prove how sternly the ministry is dealing with the country's financial scandals.

The finale is yet to come with the planned resignation later this month of Mr Ryutaro Hashimoto, the finance minister, whose departure will follow resignations in the past few weeks by senior bankers and securities company chiefs.

In fact, the real measure of the ministry's determination to deal with the scandals will be its ability to carry out reforms.

The ministry cannot be criticised for lack of effort. It has begun work on a mountain of proposals designed to deal with the scandals, which include the payment of compensation by brokers to favoured clients, allegations of stock manipulation, ties with criminal groups and illegal loan schemes.

The plans, including the establishment of a new financial markets watchdog, are to be realised over the next year. Moreover, the ministry will press on with financial deregulation – including interest rate liberalisation and reform of barriers separating banking and securities.

Evolution not revolution will be the order of the day, even if the pace of change over the next year is faster than in the recent past.

The ministry's proposed reforms would be an important step towards creating more transparent markets. But the planned changes will barely touch some of the most severely criticised features of Japan's markets – including the dominance of the Big Four, fixed-rate stock exchange commissions, over-protection of small banks and stockbroking firms and under-protection of the private investor.

It seems reformists have the power to curb vested interests but not to overthrow them. As Mr Shogo Watanabe, chairman of the Japan Securities Dealers' Association (JSDA), says: "In the US there are over 10,000 securities companies and there are bankruptcies and there are over 10,000 banks and some go bankrupt. Investors and depositors don't seem to mind." In Japan things were different. "It's a question of philosophy."

This is not to underestimate the measures. Top of the list is a new, independent financial markets watchdog. It will supervise a body of inspectors formed out of the inspection departments of the ministry's banking and securities bureaux. It will bypass the bureaucracy and report direct to the finance minister, rather like the semi-independent tax administration.

The watchdog will do well if it develops the same esprit de corps as the tax office, which unearthed the most important evidence in the current scandals. Its independence will be curbed by the fact that its inspectors will be drafted from the ministry. But Mr Yoshiaki Kaneko, the deputy director of the ministry's securities bureau, says that if it is anything like the tax bureau, the new watchdog will be "a strong force".

The ministry is making specific rule changes to deal with abuses highlighted by the scandals. A law banning brokers from paying compensation for losses and clients from receiving payments has already been passed. The maximum fines are, however, ludicrously small – Y500,000 ($3,760) for the client and Y1m for the broker.

The practice of brokers managing funds for clients on a

The Finance Ministry's critics have complained that it has placed too much emphasis on nurturing financial companies and not enough on protection for the investor

discretionary basis, an important source of compensation payments, is also being outlawed. But *eigyo tokkin* – funds managed by brokers on a non-discretionary basis – will still be allowed.

In banking, the ministry is considering imposing supervisory controls on 30,000 non-bank finance companies, institutions which lend money but cannot take deposits. Finance companies mushroomed in the 1980s and were responsible for much of the lending which fuelled the price spiral in land and stocks. They are now bearing the brunt of the financial recession since they sometimes lent to bad risk clients rejected by banks and figure prominently in illegal loan schemes unearthed by the ministry.

Non-banks have so far been lightly regulated, as they fell outside the Finance Ministry's orbit and were supervised by the Ministry of International Trade and Industry (Miti).

The Japan Securities Dealers' Association and the Japan Federation of Bankers' Associations, the two most important industry bodies, are preparing new rules, emphasising the importance of treating clients fairly. The problem is that the industry associations' priorities are the interests of their own members.

It is hard to imagine how the JSDA will set about winning public confidence in its role as a supervisor when it is dominated by the Big Four, which were all involved in the compensation payments scandal. The brokers' answer is that winning back trust is in their own interest or their customers will not return.

As for boosting competition, Mr Kaneko says the ministry takes seriously concern about the oligopoly in the underwriting market of the Big Four. The ministry is also studying further cuts in stock market commissions. But he warns that the ministry has to consider the fate of the smaller of Japan's 250-odd securities companies and also conditions in the stock market, which are now "poor".

Mr Kaneko is more enthusiastic about reforming the system of administrative guidance – the mix of laws, letters and oral instructions with which officials supervise companies. The ministry will scrap unnecessarily complex rules, pass others over to industry associations and codify the rest. New laws, if they are necessary, will be presented to the Diet next spring.

More important than the content of rules, is their purpose. The ministry's critics complain it has placed too much emphasis on nurturing financial companies and not enough on investor protection. Mr Kaneko counters that the ministry did not nurture financial companies but financial markets. However, he says there will now be a change of emphasis towards investor protection.

He says there is no conflict of interest in the ministry having responsibility for both market development and investor protection. "In the US and the UK, the authorities also have both powers." True, but in the US and the UK, investors, large or small, are capable of banding together in pressure groups to air grievances. There is also a history of court cases, in which investors' rights have been publicly defined.

In Japan, investors have so far had to rely on the ministry's judgment. Time will tell whether they should during these scandals have demanded something more substantial.

THE LEX COLUMN

The cold reality of water

The Department of Environment's unexpected call yesterday for increased competition in the UK water industry is the latest sign that the companies' game will be up before too long. Investors who had not yet got the message behind Ofwat's recent outpourings should perhaps regard the draft proposals for the Citizen's Charter as the increasingly thick end of the wedge.

The irony is that the measures put forward by Ofwat for the charter will probably have no more than a marginal effect on the water companies, almost all of it involving their supply to industry. While British Gas or BT could simply be broken up, it is less obvious how the private sector water industry could be changed to benefit domestic consumers. The scope for competition is limited by geography and by the nature of the commodity. Unlike electricity or gas, there can be no equivalent to the National Grid. Water pipes leak, so supply over great distances would be uneconomic.

Increasing the opportunity for poaching bulk business from other water companies might produce more competition on regional borders, but the impact on company profits would not be great. Hence, perhaps, the market's casual reaction yesterday in marking water shares down a fraction. But the longer-term intent of politicians and regulators alike is now all too clear. Chief executives of the monopolies may moan about how quickly the rules are being changed. The tide is against them, all the same.

MB-Caradon

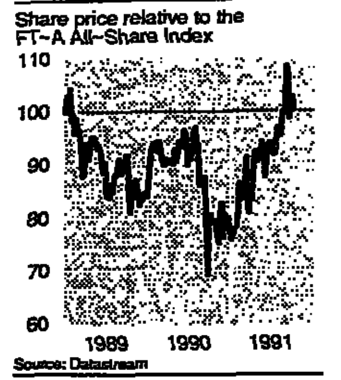
Given that MB-Caradon has outperformed the market by 23 per cent over the past year, it is surprising that it has waited so long to exploit investor enthusiasm by launching a rights issue. The company's preoccupation with the CMB restructuring apparently prevented it from doing so in last month's interim statement. Yesterday's £149m cash call implies that it now plans to hold on to its CMB stake until the restructuring is complete. Similarly, the price tag on its security printing business is currently unattractive.

A rights issue is thus the most effective way of reducing the 72 per cent gearing ratio, a task which is now urgent, given the need for higher capital spending in the existing businesses. The issue might appear to be clearing the decks

FT-SE Index: 2,599.5 (+3.3)

MB-Caradon

Share price relative to the FT-A All-Share Index



Source: Datastream

for an acquisition, but there are few attractive candidates around, and MB-Caradon appears to be aiming simply for small additional acquisitions in building materials.

That is a prudent strategy, as recognised by the market yesterday in marking the shares down a mere 3 per cent. It does not, however, necessarily promise the medium-term growth investors appear to be seeking. It is easy to see MB-Caradon as a building materials company which has weathered the recession better than its competitors. But the issue is a sharp reminder that it is also a conglomerate held back by its stake in CMB. The latter has a market value double the amount being raised by yesterday's issue. But all MB-Caradon actually receives is a dividend of around £7m – insufficient cash to fund growth internally.

La Générale

Before Mr Carlo De Benedetti popped up memorably in Brussels three years ago, Générale de Belgique was rightly cast as the sleepy proprietor of Belgium's choicest commercial and industrial assets. A more vigorous management style has since been introduced, but yesterday's disappointing interim results – notably a 68 per cent fall in underlying current profits – will do nothing to convince those who say the company still lacks strategy.

While markets have hardly been kind in the last six months, the decision to hang on to an 82 per cent stake in Acec-Union Minière looks unfortunate at this stage. The likely net loss of BF2.5bn this year compares with net profits of BF3.8bn in 1990 and almost BF19bn in 1989. More to the point, the performance distorts the whole picture and makes a mockery of SGB's ambition to smooth out earnings' fluctuations. Non-ferrous metals will doubtless bounce back, though this will depend as much on the performance of the US dollar as the price of zinc. A deeper problem is arguably Gechem, whose Foamex acquisition rested on some pretty punchy assumptions of growth in its US markets.

At least SGB seems to be on target with its ambitious asset disposal programme, news of which helped the shares brush aside an earlier disappointment on the earnings front this year. Last night's closing price of BF2070 represents a 35 per cent discount to net assets, which at least provides some protection on the downside.

Pilkington

The news that Pilkington is to shed 750 jobs in its company town of St Helens is a sour footnote to the BTR bid of five years ago. At the time, one of the chief arguments against BTR was the threat to local employment. The identical case was mounted against BTR's bid for Norton of the US last year. Since then, Norton too has shed labour under its new owner, the French glassmaker Saint-Gobain.

The more fundamental case against Pilkington is its deplorable performance since BTR backed away. Since the year of the BTR bid, Pilkington's earnings have fallen by 65 per cent. Academic studies suggest that in the case of a failed bid, the shares of the target company tend to revert to their starting point against the market over the following two years. That is precisely Pilkington's position. The trouble is that the shares halved against the market thereafter. BTR claims credit for having refused to raise its offer for Pilkington. Given that Pilkington's inflation-adjusted value is now less than three-quarters what BTR offered for it, there is room for questioning BTR's wisdom in having bid at all.

BAe

The British Aerospace bid theory took a further knock yesterday with the meagre turnover in the newly-quoted nil-paid shares. At yesterday's close of 380p, the old shares are bang on the rights price. Anyone daft enough to harbour thoughts of a bid would now presumably hold off in hopes of the issue flopping in three weeks' time. In the meantime, it is up to the advisers to the issue to earn their fees.

Nato officials say French oppose scheme for formal links with east

France questions US/German plan

By David Buchan in Brussels, **Ian Davidson** in Paris and **David Gardner** in The Hague

FRANCE is opposing a joint plan by the US and Germany for Nato to create formal ties with eastern Europe and the Soviet Union, officials at Nato headquarters said yesterday.

The plan, announced by the US and Germany last week, would create a North Atlantic Co-operation Council, grouping the alliance's 16 members and all the eastern countries with which it already has a formal diplomatic liaison.

France says this would duplicate the pan-European network of the Conference on Security and Co-operation in Europe (CSCE) and encourage eastern countries to believe that they might one day be able to join Nato, French diplomats at Nato said.

French opposition to the plan – which Bonn and Washington want to see endorsed at next month's Nato summit – comes at a delicate point in the talks on European political union.

France is enlisting an apparently willing Germany in an attempt to counter the Anglo-Italian plan to develop a common European defence policy within the context of Nato.

France's objections to giving Nato a role in eastern Europe could put at risk its partnership with Bonn on EC defence issues. Perhaps for this reason, French diplomats at Nato said they were "questioning, rather than opposing" the Nato Co-operation Council idea at this stage. In Paris the Foreign Ministry said it was "not at all opposed in principle to links of consultation and information" with east European countries.

France also yesterday played down the significance of the meeting it is holding on Friday to discuss the defence aspects of the projected treaty on European political union, and disclaimed any intention of hijacking the prerogatives of the Netherlands in its capacity as president of the EC.

The Foreign Ministry in Paris said the invitation issued last Sunday by Mr Roland Dumas, the French foreign minister, and Mr Hans-Dietrich Genscher, his German counterpart, to like-minded EC countries, to join them in discussing EC defence policy in Paris on Friday, had been misread. The meeting was chiefly a routine Franco-German bilateral meeting, although Spain's foreign minister is also expected to attend.

The Netherlands remained angry at what it sees as an attempt to usurp its presidential prerogative of convening meetings on EC policy. Mr Dumas and Mr Genscher have telephoned Mr Hans van den Broek, the Dutch foreign minister, to say they regretted the impression given by the press that they were trying to undermine the Dutch presidency.

Mr Van den Broek said the damage had already been done, that the two ministers' action had lessened the chances of agreement among the 12 on political union next month, and that the Netherlands would not attend the Paris meeting.

France said it was trying to ease the task of the Dutch in preparing for the Maastricht summit. "We did not notice any display of astonishment when the British and the Italians met to produce a little document on defence questions," a Foreign Ministry official said, "a little document, moreover, which arrived late in the day before the meeting of foreign ministers last weekend".

Nato to cut N-bombs, Page 2

UK call for referendum on Europe rejected

By Philip Stephens, Political Editor, in Blackpool

BRITISH foreign secretary Mr Douglas Hurd firmly rejected calls yesterday from the right of the ruling Conservative party for a referendum on closer European integration, pledging that the government would not allow Europe to be forced into a "federal strait-jacket".

Speaking on the opening day of the Conservatives' annual conference in Blackpool, north west England, he said the government would seek a deal at the December Maastricht summit which offered: "The best future for Britain, the best future for Europe and the best future for Britain in Europe."

His comments came, however, amid growing signs that a vocal group on the right of the party would demand that ratification of any changes to the Treaty of Rome agreed in Maastricht should be subject to a national referendum.

It coincided also with sharp criticism of some of the government's policies by Mr Edward Heath, the former prime minister, which overshadowed a claim by Mr Chris Patten, the party chairman, that the Conservatives would "wipe out" the opposition Labour party at the general election due by the middle of next year.

Mrs Margaret Thatcher, the former prime minister, has made it clear to associates that she opposes any treaty amendments which would lead to thel creation of a single currency. She has privately floated the idea of a referendum because she believes that the deal being negotiated by Mr John Major would lead to an irreversible transfer of sovereignty to Brussels.

There were indications last night that the idea might win the support of other prominent Conservatives.

In his conference speech, Mr Hurd committed the government to closer co-operation with its European partners but said the government would not accept a federal super-state.

He said he would not be afraid to say "No" to the ambitions of some European partners for political union, but emphasised that on some foreign policy issues – particularly the approach towards eastern Europe – it would be "unrealistic" for Britain to expect to wield influence alone.

Conference, Page 9

US doubts Israel's ability to service debt

By Hugh Carnegy in Jerusalem

THE US has begun to signal its concern over Israel's ability to service the big rise in foreign borrowing it is planning in order to fund Soviet Jewish immigration.

This fuels a bitter dispute between the two governments over Israel's request for US guarantees to back loans worth $10bn.

Washington is apparently preparing to demand more radical free-market reforms than Israel has hitherto carried out as a condition for granting the guarantees, in addition to the linkage to the peace process already established by the Bush administration.

The latest source of Israeli protest is two reports, by the US Export-Import Bank and the Congressional Research Service. These criticise the structure of the Israeli economy and raise doubts – albeit tentative ones – about the country's ability to pay back the debt it intends to take on over the next five years.

Mr Yitzhak Moda'i, finance minister, said the reports were fabrications, echoing Israeli suspicions that a campaign is under way in Washington to discredit the loan guarantee request.

Officials insist that Israel has an unblemished record of debt service. But the Congressional Research Service report points out that the big foreign inflows Israel has enjoyed – chiefly in the form of annual US grants worth $3bn – have been a key factor in keeping the current account in surplus and servicing foreign debt.

The Exim Bank was also one of the foreign creditors which last month accepted the write-off of 20 per cent of their collective $200m exposure to Koor Industries, the trade union-owned conglomerate which had suspended repayments on its $1.2bn debt since January 1990.

The CRS said that the $10bn Israel plans to raise in the US would, by itself, increase its foreign debt by 40 per cent. Servicing needs after five years would require a net increase of at least $850m in annual export earnings from goods and services, without accounting for the government's plans to borrow a further $10bn elsewhere.

Latest figures from the Bank of Israel show the rate of growth faltering since mid-year and imports rising sharply. Exports have fallen and the annual inflation rate has risen to more than 20 per cent. The CRS said achieving the required earnings growth was possible if the Soviet immigrants were put to productive work, but a key obstacle to this was labour market rigidities.

"In the end the risk to be assessed in judging Israel's future debt servicing capacity may not be economic risk as much as political risk: the risk involved in the Israeli government successfully confronting the institutional barriers to labour market flexibility and the political interests supporting them."

● Mr James Baker, US secretary of state, will fly to the Middle East this weekend to try again to set up Arab-Israeli negotiations, the state department announced yesterday, AP reports from Washington. He will visit Israel, Egypt, Syria and Jordan and will meet Palestinian representatives.

US West forms joint venture

Continued from Page 1

the terminals – a move that has been criticised by some as delaying profitability.

The Bell companies have fought a long campaign to get into information services, but their efforts have been strongly opposed by an alliance which includes the American Newspaper Publishers Association, AT&T's rival long-distance carrier MCI, the National Cable Television Association and the Consumer Federation of America.

Germany wins bigger voice in Europe

By David Buchan in Brussels

THE EUROPEAN Parliament is expected to vote today for a resolution giving Germany 18 more seats, following the emergence in a debate yesterday of a clear majority in favour of expanding Germany's representation to reflect unification a year ago.

At present, Germany has the same 81 MEPs as Britain, France and Italy, even though they now represent nearly 80m Germans. The only concession so far to the incorporation of eastern Germany into the federal republic and the EC has been 18 German observers who attend the Strasbourg parliament.

French MEPs from most political groups, especially the Liberals, argued that raising German representation to 99 seats would create a national imbalance. The emergence of one dominant country could spoil the atmosphere for political union negotiations to succeed.

However, speaking for the Socialist group, Mr David Martin (UK Labour) said it was "far too wide a spread" now for Germany to have only one MEP for nearly 1m people, compared to Luxembourg's six MEPs for 70,000 people each.

Mr Alan Donnelly, the UK Labour MEP who was the parliament's rapporteur on its special committee on German unity, said it was nonsense to speak of a national imbalance, because MEPs represented people, not governments, and were grouped by ideology, not nationality.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	22	72
Algiers	F	29	84
Amsterdam	F	16	61
Athens	S	23	73
Bahrain	S	31	88
Bangkok	F	32	90
Barcelona	C	18	64
Beirut	S	26	79
Belfast	S	13	55
Belgrade	C	23	73
Berlin	S	23	73
Biarritz	S	19	66
Bombay		-	-
Bordeaux	S	18	64
Boulogne	S	14	57
Brussels	S	18	64
Budapest	S	23	73
Buenos Aires	F	18	64
Cairo	S	28	82
Cape Town	S	21	70
Caracas	C	28	82
Casablanca	F	23	73
Chicago	C	11	52
Cologne	C	14	57
Copenhagen	S	17	63
Corfu	F	24	75
Dallas	S	12	54
Dublin	F	13	55
Dubrovnik		-	-
Edinburgh	F	13	55
Faro	R	20	68
Florence	F	18	64
Frankfurt	C	13	55
Geneva	S	15	59
Gibraltar	F	21	70
Glasgow	F	13	55
Helsinki	S	13	55
Hong Kong		-	-
Innsbruck	F	17	63
Inverness	R	9	48
Islamabad	F	30	86
Istanbul	F	19	66
Jakarta	F	35	95
Jersey	F	12	54
Johannesburg	S	30	86
Lima	C	20	68
Lisbon	F	17	63
London	F	15	59
Los Angeles	Fg	16	61
Luxembourg	F	15	59
Madeira	C	22	72
Madrid	F	19	66
Majorca	S	25	77
Malaga	F	25	77
Malta	R	26	79
Manchester	S	14	57
Manila	F	32	90
Melbourne	F	15	59
Mexico City	C	20	68
Miami	R	23	73
Milan	F	16	61
Montreal	S	2	36
Moscow	S	12	54
Munich	C	13	55
Nairobi	F	27	81
Naples	C	21	70
Nassau	F	30	86
New Delhi		-	-
New York	S	8	46
Nice	S	18	65
Nicosia	F	25	77
Oporto	S	15	59
Oslo	C	10	50
Paris	S	13	55
Peking	S	25	77
Prague	S	21	70
Reykjavik	S	5	41
Rhodes	S	23	73
Rio de Janeiro	R	24	75
Rome	R	18	64
Salzburg	F	16	61
San Francisco	S	12	54
Seoul	S	23	73
Singapore	F	30	86
Stockholm	C	13	55
Strasbourg	C	18	65
Sydney	S	25	77
Taipei	C	25	77
Tangier	C	21	70
Tel Aviv	S	25	77
Tenerife	F	24	75
Tokyo	C	19	66
Toronto	C	6	43
Tunis	S	30	86
Valencia	S	21	70
Venice	R	15	59
Vienna	S	21	70
Warsaw	S	21	70
Washington	S	7	45
Zurich	C	15	59

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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COMPANIES & MARKETS
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INSIDE

MB-Caradon rights issue to cut debt

MB-Caradon, the UK building products, packaging and printing group, yesterday launched a £149m ($259m) rights issue. The one-for-six issue at 205p will cut net debt to £79m from £228m and cut gearing. Analysts said the rights issue suggested that MB-Caradon was not about to sell its 25.1 per cent stake in CMB Packaging, valued at £297m. Mr Jansen, chairman of the CMB partners committee, said the CMB management reorganisation announced last month showed that MB-Caradon was working closely with its French partner, the investment company CGIP. Page 17; Lex, Page 14

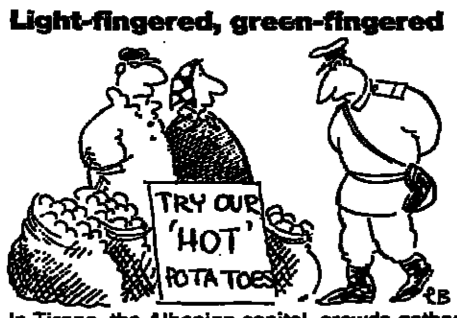
BM's weapon against recession

BM Group, the UK construction equipment group which acquired the struggling Blackwood Hodge operation last autumn, increased pre-tax profit by 48 per cent, from £23.1m ($40m), in the year to June 30. Mr Roger Shute, chairman, said the main weapon used against the recession was "bloody hard work". Page 21

Quicksilver spoils the jungle

In the heart of the Tapajos goldfield the environmental damage is as striking as if a series of bombs had fallen on the centre of the Amazon jungle. But the real damage is unseen. The mercury the goldfields use in processing the gold is reaching alarming levels. Page 23

Light-fingered, green-fingered



In Tirana, the Albanian capital, crowds gather around baskets brimming with tomatoes, peppers and peaches. But most of this produce was grown on holdings belonging to the farm co-operatives. Albanian farmers took the law – and the tomatoes, peppers and peaches – into their own hands. Page 24

Troubled waters in Milan

Big Bang in Italy has turned into a struggle to stay afloat amid the Milan bourse's increasingly troubled waters. Much of the blame for Milan's problems lies with brokers, whose traditional trading monopoly has stifled innovation and investment. Page 20

Mixed fortunes for markets

At the end of the third quarter this year, the world's emerging markets continued to experience mixed fortunes. While Latin America fielded three markets that have more than doubled in dollar terms this year, Europe was dragged lower by falls in the year to date of 62 per cent and 26 per cent in Turkey and Greece, respectively. Page 36

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bilfing Berg	870	+	20
Falls			
Didier-Werke	171	–	6
Linotype-Hell	378	–	27
Mannheim Vers	680	–	20
Springer Axel	545	–	7
Volkswagen Prf	295	–	12

NEW YORK ($)

Rises			
Nat Med Ent	17⅝	+	1⅝
Pacific Telesis	41⅞	+	1¼
Falls			
Procter & Gamble	81¾	–	2
Synoptics	15½	–	2⅛
Weber	20¾	–	2⅛
Westinghouse	18	–	1⅛

PARIS (FFr)

Rises			
Peugeot	613	+	13
Valeo	546	+	10
Falls			
Accid Ent	971	–	11
EBF	740	–	10
GTM-Entrepose	390	–	10
Sefimeg	489	–	12

TOKYO (Yen)

Rises			
Chugaikokogyo	585	+	46
Jidosha Buhin	440	+	35
Mitsui Wharf	2240	+	180
Sumitomo Prec	1440	+	120
Falls			
Isetan	3050	–	330
Tokyo Rika	552	–	48

LONDON (Pence)

Rises				Barry Wehmiller	166	–	13
ADT	528	+	28	Costain	87	–	6
AIM Group	187	+	18	Dean & Bowes	45	–	8
BM Group	418	+	17	Eurotunnel Uts	473	–	23
First Nat Fin	70	+	7	Kunick	24½	–	2
Freeman	160	+	5	Midland & Scot	76	–	4
Glaxo	1425	+	29	Palmerston	84	–	5
Hardy Oil	174	+	6	Ratners	81	–	11
House Leroses	135	+	6	Serif Cowells	16	–	3
Jerome (S)	89	+	4½	Simon Eng	289	–	18
Falls				Taylor Woodrow	176	–	7
Alan Paul	48	–	21				

Belgium's biggest holding company predicts even lower results for the second half

La Générale profits plunge to BFr1.47bn

By Andrew Hill in Brussels

PROFITS at Société Générale de Belgique, Belgium's biggest holding company, dropped sharply in the first half of 1991, and the group warned that its net profits in the second half might be lower still.

In the six months to June 30, La Générale made a consolidated net profit of BFr1.47bn ($42.4m) before extraordinary items, compared with BFr4.61bn in the equivalent period last year.

The holding company's results were particularly hit by the collapse of profits at Acec-Union Minière, the non-ferrous metals business in which La Générale has an 82 per cent stake. Acec-UM plunged into the red in the first half, losing BFr1.3bn, against a profit of BFr3.9bn in the first six months of 1990.

Mr Gérard Mestrallet, who took over as La Générale's managing director earlier this year, said yesterday: "Our results have gone slightly down, which could give rise to worries, but we have an exceptional case here in Acec and that has to be taken into account."

The board said it was satisfied, however, that the programme of divestments aimed at reducing debt by BFr25bn by the end of the year had already been completed.

The main impulse for the reduction came from Compagnie Financière de Suez, the French financial and industrial conglomerate which owns 61 per cent of the Belgian group.

Analysts had expected a sharp fall in the holding company's profits and some of them were forecasting that La Générale, which has interests in the industrial, metals, services and banking and insurance sectors, would only just break even.

"People have lost track of the strategy [at La Générale], or even don't believe there is one," said one broker before the results were published yesterday evening.

"It's difficult for a lot of people to understand why La Générale and Suez should exist [separately]."

Mr Mestrallet said last night he had confidence in the group strategy and he pointed to the improving results of the Générale parent company, where net profits rose from BFr3.21bn in the first half of 1990, to BFr9.29bn, on the back of proceeds from the divestment programme.

"The financial structure of the mother company is healthy and this also goes for each individual company of the group," he added.

Mr Etienne Davignon, La Générale's chairman, replied to reports in the Financial Times last month that crucial financial details about PRB, the Belgian arms company, were withheld by La Générale subsidiary Gechem during negotiations for a takeover by Astra, the British munitions group. Astra nearly collapsed after purchasing PRB, which then made a BFr720m loss.

Mr Davignon said Gechem had made no commitment to Astra about what PRB's profits might be, and pointed out that Astra's new management had formally renounced any right to take legal action against Gechem in relation to the PRB deal.

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Plan to reform ADRs faces opposition

By Simon London in London

MORE THAN 100 international companies have written to the US Securities & Exchange Commission opposing proposed reforms which would allow duplicate American Depository Receipt (ADR) programmes to be set up without their consent.

The companies were responding to an "Advance Notice of Possible Commission Action" published by the SEC in June. The regulator asked for comment on measures which would allow the duplication of existing sponsored ADR programmes by unsponsored programmes, set up without a company's consent.

ADRs allow an overseas company to place shares with a depository, usually a bank, which then issues depository receipts to US investors. For many US investors this is the only route to equity investment in overseas companies. For companies, ADRs provide access to US investors without full compliance with US disclosure and reporting requirements.

Some depositories want to set up ADR programmes without the company's consent. In a test case, Security Pacific has applied to the SEC for permission to establish a duplicate programme for Sons of Gwalia, the Australian mining company. Security Pacific said duplication would increase market competitiveness.

However, all companies which wrote to the SEC said they opposed any move to allow duplicate programmes.

BT, which has a sponsored ADR programme with Morgan Guaranty, said the company would "lose control of its ADR holder base... and have no control over the service provided to its ADR holders".

Guinness, the UK drinks group, said: "If banks at random are permitted to issue ADRs, we are concerned that their actions or interactions could cause us to incur a liability under US law."

Many companies also opposed moves to extend to unlisted programmes reporting requirements which apply to listed ADR programmes trading over-the-counter via the depository. The companies said the extra expense would discourage them from maintaining an unlisted programme, often the first step to broader participation in the US capital markets.

Thorn EMI said it was "inappropriate and counter-productive" to extend the disclosure requirements for listed programmes, which trade more actively, to unlisted programmes. The company also called for reporting requirements for listed programmes to be relaxed.

UK glassmaker to slim down home base to run core operations from Brussels

Pilkington integrates European operations

By Charles Leadbeater in London

SIR Antony Pilkington yesterday launched one of the most ambitious attempts yet to make a British manufacturer's management more international.

The chairman of Pilkington, the inventor of the float glass technology which revolutionised the industry in the 1960s, plans a radical reorganisation of its European businesses.

By 1993, Pilkington's core flat and safety glass operations in Germany, the UK and Scandinavia will be run as an integrated unit from Brussels.

Pilkington's head office in St Helens on England's Merseyside, the group's home, will be slimmed to focus on strategic planning, financial disciplines and businesses outside Europe.

The plan is the culmination of Pilkington's expansion into continental Europe, revolving around Flachglass, the German producer it acquired in 1980.

In 1989 Pilkington bought out the minority shareholders in Flachglass who had been delaying its integration within the group. Last year it set up a European board. However, this plan marks a sharp break with the past.

It is an admission by Pilkington that it cannot hope to run its European businesses successfully from St Helens, an outpost on the edge of the single European market.

Radical though the reorganisation is, it is not clear whether the move will unlock the solution to the problems which have beset Pilkington since 1987, when it fought off a £1.6bn ($2.77bn) takeover bid from the conglomerate BTR.

The company faces three main problems.

● The European glass industry became far more competitive in the last decade as US producers entered the market. For example, Guardian entered the market through its greenfield investment in Luxembourg, while Asahi Glass of Japan acquired Glaverbel of Belgium.

This has put more pressure upon the industry leaders Pilkington and St Gobain of France.

● To compete, Pilkington invested heavily in the late 1980s, only to see its modernised plants run into a deep UK recession.

The downturn in European construction and car markets, outside Germany, has exposed overcapacity of about 10 per cent in the European glass industry, which has forced down prices.

The growth of the European glass market is likely to slow from about 8 per cent a year in real terms in the 1980s to 3 per cent this decade. All producers are having to adjust to slower growth by cutting costs.

Sir Antony Pilkington: plans radical re-organisation

● Pilkington also has a financial headache. This stems from the £361m acquisition in 1987 of Visioncare, the US eye care business which last year made a pretax profit of £9.6m.

To pay for the purchase, Pilkington's equity base was expanded and the cost of paying the dividend rose.

Net debt is up to 59 per cent of shareholders' funds, while pretax profits for 1990-91 fell 52 per cent to £151.6m.

The management reorganisation will help the group address only some of these problems.

Production plants will be focused on making a narrower range of products but for a wider European market.

The first casualty of this rationalisation will be one of St Helens' four float lines which will close next year with the loss of 400 jobs. It is unlikely any more plants will be shut, according to Mr Andrew Robb, the group's finance director.

With plants serving European markets, Pilkington hopes to reap economies of scale, reduce duplication and use equipment more intensively by minimising downtime.

Annual cost savings could be £10m within two years, putting it in a better position to compete with low-cost producers such as Guardian.

Costly overlaps in research will be reduced and responsibility for market-oriented research devolved to the operating companies.

About 100 jobs will be lost at Laytham, the company's central research facility near St Helens, which will focus upon the pure research which has made Pilkington famous.

A European approach to marketing should make the group better able to deal with customers such as car manufacturers, which already organise their production and procurement on a European basis.

At the moment there is considerable wasted effort as Pilkington markets glass to carmakers in the UK while its German subsidiary markets to vehicle makers in Germany.

The halving of the 500-strong St Helens head office will yield the most immediate savings – about £10m by the end of 1993.

So Pilkington should emerge with lower production costs, more sensible marketing arrangements and a slimmer management which is more focused upon its tasks.

According to Sir Antony, the move should trigger a cultural change which will roll on for years: "Pilkington is going to look much more European and will be able to grasp opportunities better. The move will change people's channels of thought. We think it will be very important."

But the savings of perhaps £20m pale in comparison with the more than £100m it will cost to pay an unchanged dividend this year.

In June, Pilkington decided to maintain its final dividend, even though it was not covered by earnings, and it had to transfer £62.2m from reserves to make the payment. The company may be stronger in its operations, but it will still be frail financially.

The company will not be able to escape a painful decision on whether or not to cut the dividend. A cut would expose it to further takeover speculation, even if BTR – still the most likely predator – is occupied digesting Hawker Siddeley, the UK engineering group for which it is bidding. So having bitten one bullet, Sir Antony may just find an even more explosive one is waiting for him.

Additional reporting by Ian Hamilton Fazey.

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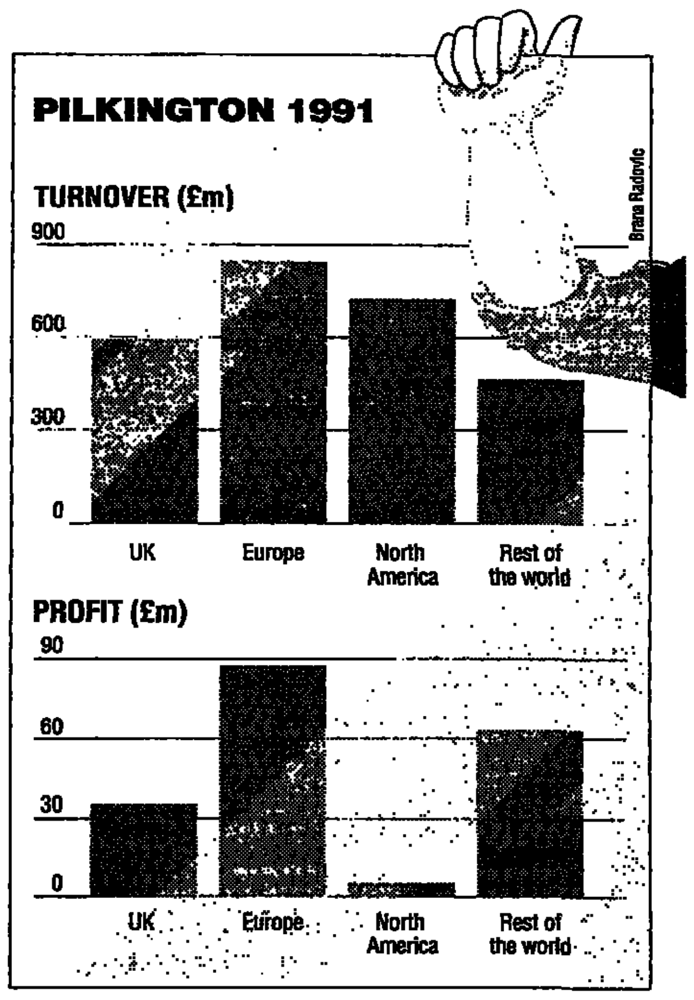

Kumagai Gumi scales down international operations

By Robert Thomson in Tokyo

KUMAGAI GUMI, the Japanese property developer and contractor, yesterday announced a scaling down of the company's once ambitious international operations and a suspension of new foreign development projects.

The company plans to sell by 1995 assets worth Y1,125bn ($8.45bn) having been hurt, like other Japanese developers, by the troubled international property market. Kumagai Gumi has taken an active investment role in its projects, but now intends to restrict its international projects to contracting.

Mr Hikaru Hirayama, deputy director of Kumagai Gumi's information department, said offices in Spain and the Netherlands would be closed, a Paris office had been shut and the Turkish operations were likely to be halted next March.

He said that the wholly-owned Kumagai Gumi UK would not be affected by the closures.

"We do not see this as an end to these operations but as a suspension. We expect that our European business will bloom again in the future, but for the next three to five years we will not be developing large foreign projects," Mr Hirayama said.

The problems facing Kumagai Gumi, the first Japanese contractor to win an international tender in 1961, are typical of those encountered by aggressive Japanese developers over the past two years.

The company has decided to concentrate on the domestic market, where it sees higher profit margins in spite of a downturn in residential and resort property prices.

Over the past 18 months the company has sold about Y190bn of its international property holdings, and it believes that the remainder totals about Y900bn, with the largest holdings in the US, Australia and the UK.

Mr Hirayama said that the company needed to sell properties, but was not prepared to offload them at unreasonably low prices. "We will wait for good offers," he said.

The company announced late last year that its US operations would be restructured.

Kumagai has also had problems in the Asian market, in particular, with a 51-storey office-hotel-apartment complex in Beijing, where there is a glut of office space and hotel rooms. The company had more luck in its development of a road and rail tunnel under Hong Kong harbour, completed ahead of schedule under a build, operate and transfer agreement.

INTERNATIONAL COMPANIES AND FINANCE

American Express launches probe of Optima filings

By Alan Friedman in New York

AMERICAN Express, the US financial services company troubled by loan losses at its Optima credit card division, said yesterday it had begun an internal investigation of inaccurate filings made over a nine-month period to the Federal Deposit Insurance Corporation (FDIC) by Centurion Bank, the Delaware subsidiary that issues the Optima card.

Mr Jim Robinson, the American Express chairman, has called in the company's law firm of Skadden, Arps, Slate, Meagher & Flom to assist in the investigation, which will try to ascertain whether American Express executives deliberately falsified records to hide bad debts in the Optima programme.

American Express said the false filings to the FDIC had been made in the last quarter of 1990 and the first two quarters of 1991.

The company said it had discovered only recently that $24m of Optima card defaults had been misclassified for the nine-month period. The company's planned third-quarter after-tax charges of $265m includes the $24m of previously-undiscovered losses by the Optima programme.

Mr Harvey Golub, the recently-named American Express president, said last week the company had "not managed our revolving credit operations well".

However, Mr Golub and other American Express officials have declined to quantify the continuing loan loss provisions expected in the fourth quarter of 1991, even though Mr Michael Monaco – the chief financial officer who reports to Mr Golub – was quoted last week forecasting $300m of provisions in the fourth quarter.

American Express could be embarrassed if its investigation uncovers fraudulent filings by its Optima executives. A spokesman said the probe would be "aggressive and extensive". He said there were clearly violations of internal policies. "We want to know what happened," he added.

American Express has suffered a variety of embarrassments in recent years, including the admission in 1989 that the company had conducted a smear campaign against Mr Edmund Safra, a former executive.

The same year, the Boston Company, a subsidiary of American Express's Shearson Lehman securities house, said it had overstated its profits by $30m.

Gold Fields slides 8.5% despite price improvement

By Patti Waldmeir in Johannesburg

GOLD FIELDS of South Africa (GFSA) reported an 8.5 per cent drop in after-tax profits to R225m ($80m) in the third quarter to September 30, compared with the previous three months. The decline came despite a 3.7 per cent increase in the gold price received, to R33,365/kg from R32,166/kg.

Revenue rose slightly, to R965m from R957m in the June quarter. However, a 3.7 per cent increase in total working costs, coupled with an increase in tax and the state's share of profits, led to the reported drop in after-tax profits.

An indication of continuing hard times came with the news of delays in capital expenditure, reflected in a drop to R106m from R133m in the previous quarter.

West Driefontein mine significantly increased production, to 8,544kg from 8,037kg in the previous quarter, while costs dropped to R14,365/kg from R16,171/kg. The mine recorded a working profit of R152.4m, well up on the previous quarter's R138.7m.

Kloof, GFSA's other rich mine, lifted its grade further, to 13.9 grams/tonne from 12.9 g/t, with gold production rising to 7,088kg from 6,988kg.

FDA expected to approve Bristol-Myers' Aids drug

By Karen Zagor in New York

BRISTOL-Myers Squibb is expected to win the approval today of the US Food and Drug Administration for dideoxyinosine (DDI), a drug for the treatment of the disease Aids.

The drug, which will be marketed under the trade name Videx, would be the first new Aids treatment since 1986, when Wellcome's Retrovir – or AZT – won approval. Retrovir is Wellcome's second best-selling drug.

The formal approval of DDI is expected to be based on a recommendation in July by an FDA advisory panel that the application for Videx should be limited to Aids patients who are intolerant to Retrovir or who have not responded to treatment by Retrovir.

Such a limitation should – at least in the short term – prevent Videx from threatening Retrovir's position as the leading Aids treatment.

However, even though FDA limitations would prevent Bristol-Myers from marketing the drug as a direct competitor to AZT in the US, it is not unusual for physicians to prescribe drugs for use outside the more narrow FDA constraints. This should increase DII's market share in the longer term.

Much also depends on Squibb's pricing of Videx. If the new drug costs significantly less than Retrovir it could rekindle protests that Wellcome was making excess profits from Aids treatment. Such political pressure has already encouraged the company to reduce prices.

Mr Viren Mehta, an analyst at Mehta & Isaly in New York, said: "This is a small and expected step in the efforts to bring Aids under control. Financially, this is only modestly important to Bristol-Myers Squibb, but in terms of science and long-term commitment to the Aids arena it is important.

"AZT will remain the standard, and in most instances it will remain the initial therapeutic agent, but there is increasing evidence that we gain some benefit from using the two drugs together, in that you can use reduce doses and thereby reduce the side-effects.

"To that extent we will see an expansion of the market on one hand and competitive inroads on the other, which should leave AZT sales at about current levels."

Mr Mehta estimates potential DDI sales of about $100m, against worldwide AZT sales of about $300m.

Abbott Labs advances 13% on higher turnover

By Karen Zagor

ABBOTT Laboratories, the Chicago-based pharmaceutical and health-care company, turned in a 13.9 per cent improvement in third-quarter net earnings. The group's sales advanced by 9.8 per cent.

Mr Duane Burnham, Abbott's chairman and chief executive, said third-quarter results had been strengthened by new product introductions, continued improvements in productivity and a favourable product mix.

Net income for the three months to September 30 was $251.6m, or 59 cents a share, on sales of $1.65bn. The results compare with earnings of $220.8m, or 51 cents, on sales of $1.51bn in the year-earlier period.

In the latest quarter, research and development spending rose by 19.3 per cent to $172.8m from $144.8m. Expenditures were concentrated on diagnostic and pharmaceutical products.

Operating earnings rose 9.3 per cent to $352.6m from $322.5m.

US sales rose 11.1 per cent to $1.04bn, while international sales grew 7.5 per cent to $611m.

For the first nine months, Abbott's net income rose 12.8 per cent to $774m on sales up 12.2 per cent to $4.99bn. Earnings per share improved 15.3 per cent to $1.81, against $1.57 a year earlier.

The company's profits growth has been held back by its selling, general and administrative expenses, which rose 14.3 per cent to $361.3m, against $316.1m.

ICI Canadian unit to replace pigment plant

By Robert Gibbens in Montreal

TIOXIDE Canada, owned by ICI of the UK, is phasing out its titanium pigment plant near Montreal and will build one at Becancour for US$150m (C$134m). Becancour, in Canada, was chosen over Arkansas and Louisiana sites because of lower capital costs.

The old plant was operating in contravention of environmental law and production was cut heavily last spring. Tioxide's raw materials come from Quebec, and the pigments for use in paints and plastics are sold mainly in the US.

The new plant, which is due to be operational in 1994, will use the latest technology. Annual capacity will be 60,000 tonnes.

McDonnell Douglas wins fresh financing

By Simon London

MCDONNELL Douglas, the US defence and aerospace company, has arranged a new three-year loan facility, ending speculation about the group's ability to raise bank finance.

Last week, a Pentagon auditing official told a House of Representatives committee that he did not believe the company could raise enough cash to continue operations.

The new $400m loan replaces a $750m one-year revolving facility which expires in December. A group of six banks are providing funding: Chase Manhattan, Morgan Guaranty, First Chicago, Citibank, ABN Amro and Bank of New York.

Bankers involved in the deal said the new loan was scaled back from $750m at the company's instigation. They described the facility as "pure back-up funding".

None would reveal pricing of the deal. However, McDonnell Douglas has seen the cost of finance increase sharply over the past three years.

In 1988, the company arranged a $700m five-year revolving credit at an interest margin of 0.125 per cent over the London interbank offered rate (Libor). By autumn last year, the company was paying a margin of up to 0.5 per cent over Libor for one-year money.

McDonnell Douglas faces cost over-runs on defence projects and has lost out on large contracts this year, including the advanced tactical fighter programme, awarded to Lockheed and General Dynamics, and the Light Helicopter project, awarded to Sikorski/Bell and Boeing.

In May last year, Moody's Investors Service, the US credit rating agency, lowered the company's senior debt rating from A3 to Baa1, citing negative cash-flow and expanding working capital requirements. However, in July the group reported a 35 per cent rise in second-quarter earnings and a significant reduction in its indebtedness. The group's total aerospace debt stood at $2.94bn on June 30, down from $3.30bn on March 31.

Campeau plan for retail groups amended again

FEDERATED Department Stores and Allied Stores, two bankrupt US retail groups owned by Campeau of Canada, have filed another reorganisation plan, writes Karen Zagor.

Bondholders opposed two earlier reorganisation plans.

One of the biggest changes in the amended plan relates to Federated's requirements for working capital after the reorganisation. Under the amended plan, a new company, formed by the merger of Federated and Allied, would keep more than $600m in cash and have access to a $150m letter of credit facility to fund its business operations. The company would emerge from bankruptcy reorganisation on February 3.

Under the earlier plan, most of the cash was earmarked for secure creditors.

Also, about $250.5m in cash that was to be distributed would now be retained and used for working capital. The claims of the Federated bank group – for $1.85bn – and Federated pre-merger bondholders would be paid in full under the amended plan.

The amended plan would provide creditors with distributions of cash and new debt and equity securities of Federated Department Stores, the new merged company.

Campeau acquired Federated and Allied, two of the US's biggest department store groups, in the late 1980s for about $10bn.

Sales up for top Indian businesses

By Gita Piramal in Bombay

ALL but one of India's leading business houses reported increases in sales for 1990-91. This was despite the country's political uncertainty, rising inflation, law and order problems in several states, and reduced consumer spending in several sectors.

Tata, the Bombay-based group and India's largest business house in terms of turnover, posted a rise of more than 16 per cent. Of its 47 main companies, the best performer was Telco, the commercial vehicle manufacturer managed by Mr Ratan Tata. It reported a jump in sales to Rs26bn ($1bn) from Rs19.7bn.

Meanwhile, Birla, the second largest group, which is run by the father-and-son team of Mr Basant Kumar Birla and Mr Aditya Vikram Birla, reported a 17.7 per cent advance. Flush with funds from the group's 40 companies, both men are hunting for new projects.

The rise of Delhi-based Tharpar to third position in the rankings, and the fall of the Reliance group to fifth, came as a surprise. The slide by Reliance, run by the Ambani family, was due to the group losing control of its large Larsen and Toubro engineering subsidiary.

All the main companies in the Tharpar group showed steady growth. It reported that sales of Ballarpur Industries, its paper operation, and Crompton Greaves, its group of engineering companies, were the top performers, while the fledgling JCT Electronics became fully operational during the period.

The only new entrant to the top 10 was Mahindra, the jeep and special steel group, which moved up from 11th position.

INDIA'S TOP 10 BUSINESS HOUSES 1990-91

Rank 1990-91	Sales Rs(bn)	Rank 1989-90	Sales Rs(bn)
1 Tata	120.32	1	100.94
2 BK-AV Birla	53.88	2	44.38
3 Thapar	24.42	6	17.24
4 Bajaj	22.65	4	20.47
5 Reliance	22.15	3	28.17
6 RPG Enterprises	19.77	5	19.37
7 Mallya	17.14	8	14.95
8 GP-CK Birla	16.55	10	14.21
9 Chhabria	16.43	7	15.02
10 Mahindra	15.17	11	13.11

Source: Company annual reports

Shawmut merger proposal receives further setback

By Alan Friedman

SHAWMUT National, the New England bank which hopes to merge with Bank of Boston, said yesterday it had entered an agreement with the Federal Reserve Bank of Boston to seek Fed approval for the payment of dividends and other decisions.

The Fed arrangement, which Shawmut says is part of an effort to return the loss-making bank to profitability, may raise further doubts about how quickly the bank will be allowed to go ahead with a merger, given that it is under close supervision by federal and state examiners.

Analysts say Shawmut and Bank of Boston are having difficulty in assuring US bank regulators they will be able to raise an estimated $625m of fresh capital in conjunction with their merger. The two banks will have a combined bad debt portfolio of $3.4bn.

Shawmut signed its first accord with the Fed in July 1990. Over the past year it has reduced its workforce by 1,000 to 11,500. The bank suffered $175.4m of losses in the first half of 1991, following a $133m deficit last year.

Yesterday's Fed order requires Shawmut to seek approval for a series of inter-company transactions, capital plans and board and management decisions.

Bank of Boston suffered $138m of losses in the first six months of 1991, after a $395m loss in 1990.

Marriott down 33% as debt costs take toll

By Alan Friedman

MARRIOTT, the US lodging and contract services group, said yesterday that debt servicing costs related to its newest properties rose substantially, while net profits dropped by 33 per cent to $18m in the third quarter of 1991.

The Washington-based hotel chain said lodging sales for the 1991 third quarter were 14 per cent higher, while contract services revenues were up by 7 per cent.

The group's operating profit from hotels rose by 18 per cent, and from services by 29 per cent in the quarter.

Marriott said its third-quarter earnings did not include operating costs and financing costs associated with recently-opened properties.

Earnings per share were 18 cents, against 27 cents in the third quarter of last year.

Total sales were 11 per cent higher at $1.84bn in the quarter. Hit by recession earlier this year, Marriott suffered net income of $55m for the first half of 1991. The figure was nearly half the result for the first half of 1990.

On Wall Street, Marriott's share price was down ⅜ at $15¼ yesterday morning.

● Earlier this month, Marriott reached a development agreement with Burger King, the fast-food restaurant chain owned by Grand Metropolitan of the UK.

LEGAL NOTICES

DAMISCROFT LIMITED
Principal place of business:
CORONATION PARK, LONDON NW10

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ, on 22 October 1991 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than noon on 21 October 1991, written details of the debts they claim to be due to them form the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned: photocopies (including faxed copies) are not acceptable.

C J Hughes & C J Barlow
Joint Administrative Receivers

Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

Note: Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

Oelrichs Advertising Limited
(Company number 1098662)
Inform Limited
(Company number 2341319)
Technical Studios Limited
(Company number 548968)
Mainspring Promotions Limited
(Company number 641415)
Mainspring Merchandising '91 Limited
(Company number 2386440)

NOTICE IS HEREBY GIVEN, pursuant to Section 48 (2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the Beauchief Hotel, 161 Abbeydale Road South, Sheffield, on 14 October 1991 at 11:30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

D J Stokes
Joint Administrative Receiver
27 September 1991

IN THE MATTER OF TELETRAVEL LIMITED

and in the matter of the Insolvency Act 1986
Registered number 612657
Trading name: Jubilee Holidays
Nature of business: Transport and Communication
Trade classification: 31
Date of appointment of administrative receiver(s) 1 October 1991
Name of person appointing the administrative receiver(s) Midland Bank Plc
J M Iredale and N J Vooght
Joint Administrative Receivers
(office holder no(s) 002104 008339
Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG

Italy to sell holding in Cementir

By Haig Simonian in Milan

ITALY'S privatisation programme moved a step forward yesterday after an important ministerial committee agreed to the sale of a 51.8 per cent stake in Cementir, the country's third-biggest cement group.

The announcement comes amid reports that Warburg, the UK merchant bank, has put an L8,100bn ($6.45bn) price tag on Istituto Mobiliare Italiano (IMI), the Rome-based financial services group in which the Italian Treasury owns 50 per cent of the shares.

Warburg was commissioned in August to value IMI. Barring political mishaps, the Treasury's stake is already earmarked to be sold to a group of big savings banks led by Milan's Cariplo.

The shares in Cementir, which are owned by the IRI state holding company, will now be put up for auction to trade buyers amid signs of considerable interest by both Italian and foreign groups.

According to some reports, IRI's Cementir holding has been valued at around L280bn. However, market practice in Italy often accords a considerable premium to majority holdings, suggesting a possibly much higher sale price.

Italy is Europe's biggest cement producer, and speculation about a buyer for Cementir, which is quoted, has centred on the country's other big cement manufacturers.

Cementir, which had group sales of L426bn last year, produced 3.85m tonnes of cement, giving it 9.5 per cent of the domestic market.

However, Italcementi, the country's top cement producer with a 36.4 per cent market share, would probably be excluded on monopoly grounds. That could leave the field open for Unicem, the second-biggest producer, which is controlled by Istituto Finanziario Industriale, the Agnelli family's financial holding company.

The Cementir sale has been under discussion for some time. Although not considered "strategic" by the government, the fact that the disposal involves a majority holding has meant it has become indirectly involved in the current political debate over privatisation.

The government will also sell three smaller cement operations belonging to EniChem, the chemicals group controlled by the state-owned ENI energy and chemicals concern.

Together, Cementir and EniChem have around 12.4 per cent of the Italian cement market.

Hafnia hit by losses on UK mortgage indemnity

By Hilary Barnes in Copenhagen

HEAVY LOSSES on UK mortgage indemnity insurance hit first-half results in Hafnia Holding, parent company for the Hafnia insurance and financial services group in Denmark.

Group profits were DKr530m ($81.9m), compared with DKr661m in the first half of last year and a whole-year loss in 1990 of DKr1.39bn.

Provisions against losses on UK mortgage indemnity business were £22.5m ($39.1m).

Other insurance business, especially Danish business, performed well, according to the interim statement and insurance division profits were up from DKr423m to DKr700m.

Hafnia's merchant banking division, however, made a DKr6m loss and the property investment division showed a loss of DKr2m.

Profits for the year will depend on how bond and share prices move, however, assuming stable securities markets, results in the second half will be on a level with the first half, said the interim statement.

First-half premium income increased from DKr3.32bn to DKr3.52bn. Total assets increased to DKr63.5bn from DKr58.1bn at the end of 1990, while equity capital increased over the same period by DKr470m to DKr5.81bn.

Last month, Hafnia Merchant Bank, which is the group's investment banking and stockbroking arm, transferred business related to the Danish savings banks to Bikuben, the big savings bank.

Hafnia holds just over a third of the shares in its domestic rival, Baltica Holding and, for more than a year, has offered to buy any new shares issued by Baltica at a price of DKr1,000 per share, which is a substantial premium on the market price. The offer has been extended to October 16.

Swedish Telecom forms joint venture with PTT

By Hugo Dixon in Geneva

SWEDISH Telecom and PTT Telecom Netherlands, the state-owned telecommunications operators, have formed a far-reaching joint venture to attack international markets.

The 50-50 venture, called Unicom, will focus mainly on providing pan-European services to business customers, but will also operate in North America and the Far East.

Mr Viesturs Vucins, president of Swedish Telecom International, said the companies were attempting to attract a large US carrier and a Far Eastern carrier as partners. He also wanted to expand the venture to include other European carriers.

The partnership comes as the telecommunications services industry is seeking to restructure on global lines. With regulatory barriers crumbling, the previously state-run monopolies want to expand beyond their borders.

Ms Ellen Hancock, IBM's general manager of networking products, said that the computer group was interested in working with European carriers to provide businesses with internal communications networks.

IBM already works closely with US companies, with the computer group providing data networking expertise, and the carriers providing communications facilities. Ms Hancock said IBM was discussing partnerships with two or three European telecommunications companies. At least one was a carrier.

The Unicom alliance is an attempt by two of Europe's smaller countries to be taken more seriously in the international market by joining forces.

Swedish Telecom and PTT Telecom Netherlands have a disproportionate number of large multinational business customers. The Dutch carrier is the 10th largest carrier of international telephone traffic in the world and the Swedish one is the 14th.

Unicom is similar to BT's new Syncordia venture, which is intended to take over the running of multinationals' internal communications networks. However, it is intended to be much closer than the alliance which BT, formerly British Telecom, is trying to forge with Germany's Deutsche Telekom and Japan's Nippon Telegraph and Telephone.

Mr Vucins said the partnership could eventually result in the companies swapping shares in each other, although that would have to wait until Swedish Telecom was privatised.

The partners were talking to the three main US long-distance carriers – AT&T, MCI and US Sprint – to expand the alliance. He said he was interested in extending the venture to include other carriers from Nordic countries and the Benelux region.

The Unicom agreement envisages co-operation in the following areas:

- Managing corporate private networks. It plans to have a network in 10 European countries and with links to Japan and the US next year. The two partners are putting into Unicom their existing business in this area, with the result that the venture will start with annual sales of $50m to $100m.
- Facsimile and satellite services. The two companies already have a joint venture satellite company, called Vesatel, which is now likely to be brought under the Unicom umbrella.
- Mobile communications.
- International infrastructure. The two carriers will co-operate in planning and buying capacity on international cables and satellites.

Huhtamäki sees profits fall 42% to FM105m

By Enrique Tessieri

HUHTAMAKI, the Finnish confectionery, packaging and pharmaceuticals group, reported a sharp 42 per cent drop in profits after financial items to FM105m ($25.7m) during the first eight months of 1991. That compares with a profit of FM181m in the same period last year.

Profit before appropriations and taxes fell by 7 per cent to FM144m from FM155m. This includes other income expenses of FM39m compared with a loss of FM26m during the first eight months of 1990. Other income was generated by the sale of two companies within Huhtamäki's food sector.

Consolidated sales fell to FM3.90bn from FM3.99bn, while operating earnings also plunged to FM227m from FM324m.

Huhtamäki blamed the downturn on the recession. It said difficult trading conditions in several key markets, timing factors and generally slow sales were to blame for Huhtamäki's financial performance.

Mr Timo Peltola, president, said that the biggest single negative factor for undermining profits was Soviet trade, which had come to a virtual standstill because of economic and political uncertainty. Last year, 4 per cent or FM200m of Huhtamäki's consolidated sales of FM5.77bn were generated jointly from Soviet and east European markets.

Huhtamäki estimates that its profit after financial items for this year will reach around FM237m, or roughly the same level as in 1990.

The group's confectionery sector, which accounted for 54 per cent of Huhtamäki's total sales, reported a 1 per cent rise in sales to FM2.11bn from FM2.09bn. Confectionery sales in Europe showed an overall growth of 11 per cent to FM688m, against a drop of 4 per cent to FM1.42bn incurred from its North American operations. Earnings per share plummeted by 42 per cent to FM2.74 from FM4.75.

Orkla falls sharply to NKr472m

By Karen Fossli in Oslo

ORKLA, the Norwegian group formed last month by the merger of Orkla Borregaard and Nora Industrier, suffered a steep decline in eight-month profits, before extraordinary items. The group saw profits fall to NKr472m ($71.8m) from a pro-forma NKr710m.

This was the first time that the merged group reported figures. Profits in the second four-month period rose to NKr293m from a pro-forma NKr179m.

Following the merger, Orkla became Norway's third biggest industrial group, producing branded consumer goods, with an emphasis on food and beverages. The group is also involved in the chemical and financial sectors.

Mr Jan Trouften, an Orkla spokesman, said the weak eight-month result reflected a foreign exchange loss of NKr100m in the first four-month period; NKr40m in interest costs paid by Nora to acquire Orkla shares under the terms of the merger and the net effect of financial costs associated with the purchase and sale of companies in Norway and abroad.

Profits, after extraordinary items, were NKr472m, compared with a pro-forma NKr981m. However, Mr Trouften said last year's figure was misleading when compared with this year's result because it had included a NKr271m gain made by Nora on the sale of part of its property business.

Group sales in the eight-month period advanced to NKr10.34bn from a pro-forma NKr9.57bn, while operating profits slipped to NKr530m from a pro-forma NKr599m.

Orkla said beverages, edible oils and non-food products, such as detergents, hygiene and cosmetics products, had made good progress.

Process industry activities declined in the eight-month period due to weak markets, particularly for pulp.

However, "the operating profit for the industrial activities as a whole is in line with last year, while overall operating profit for the group has fallen slightly, mainly as a result of a reduction in real estate activities", Orkla explained.

Orkla said it would book a gain of more than NKr300m in the last four-month reporting period of this year from the sale of its property business.

Skopbank rescue costs revised

By Enrique Tessieri in Helsinki

MR IIRO Viinanen, Finnish minister of finance, said yesterday that the cost of rescuing Skopbank, the country's fourth biggest bank, from collapse could be more than FM10bn ($2.44bn).

This is much higher than originally estimated and could force the government to fund it through external borrowing or through higher taxation.

Last month, the central bank took indirect control of Skopbank, which has been badly affected by the country's deep recession. The central bank has promised to take over Skopbank's domestic and foreign liabilities and uphold the bank's international capital reserve requirements.

The rescue operation was the first in Finland's history and it was an indication of the deep financial difficulties which the country's banking sector faces.

The central bank has pledged to give Skopbank a FM2bn injection through a share issue which will give it more than 62.6 per cent voting rights and about 52 per cent ownership of Skopbank.

Mr Kaarlo Jännäri, the new Skopbank chief, hinted earlier this week that the cost of salvaging his bank could be much higher than FM2bn and that the de-coupling of the bank's high risk investments like Tampella, the troubled forest group, its share portfolio and real estate assets could turn out to be costly.

Skopbank is studying the possibility of forming three holding companies which would help to facilitate the decoupling of Tampella and its real estate and share assets from the bank.

Mr Jännäri said it would be months, not years, before the central bank would relinquished control of Skopbank. The lethargy of the stock and real estate markets would oblige the central bank to retain control of the two other holding companies for much longer.

Skopbank is also studying two models under which the bank could reorganise. One includes merging all of Finland's savings banks into one bank and the other would be to form 10 large regional savings banks which would be under the wing of Skopbank.

MB-Caradon makes cash call

By Bronwen Maddox in London

MB-CARADON, the UK building products, packaging and printing group, yesterday launched a £149m ($253.3m) rights issue to cut gearing and allow it to increase capital investment.

The one-for-six issue at 205p will cut net debt to £79m from £228m and cut gearing from 72 per cent of net assets in June, to 17 per cent of the strengthened balance sheet.

The shares fell from 249p to 242p.

Interim results last week showed a 12 per cent fall in pre-tax profits to £47.2m as turnover fell to £335.5m from £358.9m.

The strength of UK brands helped limit the damage to profits from the UK recession, but capital spending plans had also been curtailed, said Mr Peter Jansen, chief executive. Last year the group invested £39m across all its businesses, but analysts expect that to drop to £28m in 1991. Mr Jansen said the recent focus on refrigeration development – with £37m injected between 1990 and 1992 – had constrained other projects.

He said there was only anecdotal evidence of an upturn, but the company would need to expand stocks when recovery appeared.

The group also intends to use the cash to make "relatively modest" acquisitions. Analysts expect infill acquisitions in building and bathroom products in continental Europe or in complementary businesses in the UK, but consider an extension of US cheque printing activities unlikely.

They said the rights issue suggested that MB Caradon was not about to sell its 25.1 per cent stake in CMB Packaging, valued at £297m.

CMB, Europe's largest packaging group, last year contributed £31.8m to MB-Caradon's pre-tax profits of £101.7m, but paid it a dividend of only around £7m.

Mr Michael Murphy, at Warburg Securities, raised the full-year estimate of the group's pre-tax profits to £103m from £100.5m before the rights issue, but left earnings unchanged at 15.4p.

Pre-tax profit estimates for 1992 were upgraded to £140m from £125m, because of interest on the rights issue cash, but earnings of 18.4p were diluted from 18.7p.

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VEV shows loss of FFr670m

By William Dawkins

VEV, the ailing French textiles group which was rescued from bankruptcy last July, yesterday reported a FFr669.2m ($117.4m) loss for the first half of the year.

The rescue and subsequent cost-cutting plan, led by Mr Pierre Barberis, former managing director of the Axa insurance group and backed by VEV's main creditor banks, came too late to have a significant impact on the first half. VEV still expects a heavy loss for the year, said the group.

The deficit marks a huge increase from the FFr6.8m loss in the same period of last year, and compares with the FFr847m net loss recorded by VEV for the whole of 1990.

The first-half loss comes after a FFr110m capital gain from the sales of VEV subsidiaries, easily wiped out by a FFr173.2m restructuring charge. VEV expects to lose more than 400 jobs at three plants in northern France.

Club Med cuts stake in airline

CLUB MEDITERRANEE, the leading French holiday company, last night cut its stake in one of its charter airline units, Air Liberté, to 19.53 per cent from 35.5 per cent, Reuter reports from Paris.

A statement from Air Liberté said International Leasing Finance Co had injected FFr20m ($3.50m) into the airline, and that Air Liberté's chairman, Mr Lotfi Belhassine, a further FFr10m. The two new shareholders' contributions bring Air Liberte's capital to a total of FFr200m, the airline said.

Air Liberté, which is in loss, has also adopted a recovery plan involving employees accepting salary cuts of 3 to 15 per cent, a negotiated cut in aircraft leasing costs of 16.5 per cent and a cut in other unspecified fixed costs, the statement said. The plan should save FFr100m in the next 12 months.

- William Dawkins in Paris adds: Earlier yesterday, Club Med officials had declined to comment on suggestions that the group was preparing to sell all or part of the 50 per cent stake in Minerve, the charter company which it acquired last year, and the 34 per cent stake held in Air Liberté by Club Aquarius, the holiday company which Club Med took over in February. However, they said a decision was possible in the next few days.

The group bought into the two air charter companies hoping to benefit from the European Community air transport deregulation, intensified in France by the European Commission's demands that Air France must relinquish some routes as a condition of last year's takeover of UTA and Air Inter.

In the event, the impact of the Gulf crisis and recession forced Club Med into a FFr87.4m loss in the six months to last April, of which FFr38m came from Minerve alone.

Minerve and Air Liberté have found it harder than expected to compete against the Air France combine.

IBM France plans further job cuts

By William Dawkins

IBM FRANCE plans to reduce its workforce by between 500 and 1,000 between now and the end of the year. The reduction is the latest sign of the depth of the French computer industry downturn.

This will bring to 2,000 the number of job losses planned at IBM France from January 1991 to the end of March next year. The total represents 10 per cent of its 20,000-strong French workforce.

It comes in the wake of the 5,000 job cuts this year by Bull, the French state-owned computer-maker, and the loss of 750 jobs at SMT-Goupil, which was France's last independent maker of microcomputers until its bankruptcy in July.

The French computer industry recorded a mere 0.7 per cent sales growth last year, and is expected to see decline in turnover in 1991, according to the SFIB computer and office equipment trade association.

French industry sales fell 4.7 per cent in the first six months of this year, with turnover down 5 per cent and exports down 4 per cent, according to the SFIB.

IBM, which froze recruitment in France 18 months ago, says it will meet its job loss targets through voluntary departures and early retirements.

Norwegian insurer drops to NKr915m

VITAL Forsikring, one of Norway's top five insurers, yesterday announced a fall in eight-month net profits, to NKr915m ($139.3m) from NKr1.43bn a year earlier, writes Karen Fossli. However, the group forecast an improvement for the year as a whole.

The group said the drop had been due primarily to its concentration on re-establishing reserves in its securities portfolio. It noted, however, that "substantial profits" were made in an appreciating market last year.

Financial income in the eight-month period fell by NKr359m to NKr2.09bn. Premium income rose 1 per cent to NKr1.62bn, and costs were cut by 7 per cent to NKr353m.

COMPANY NEWS IN BRIEF

Valeo in link with Motorola

VALEO, the French car parts maker, is close to signing a co-operation agreement with Motorola in an effort to tap the US group's expertise in electronics, AP-DJ reports from Paris.

Valeo has acknowledged for some time that it needs to strengthen its electronics acumen if it plans to survive in an increasingly competitive European parts market, where high-technology components are increasingly in demand by car manufacturers.

Electronics accounted for less than 5 per cent of Valeo's consolidated revenue last year.

CARLSBERG, the Danish brewer, will build a plant in the Paraguayan capital Asuncion in partnership with Denmark's Industrialisation Fund for Developing Countries (IFU) and Paraguay's Industrializadora Guarani group, Reuter reports from Copenhagen.

Carlsberg and the IFU will each have 20 per cent and the Guarani group 60 per cent of the brewery, which will have a share capital of DKr58m, Carlsberg said.

The brewery, with initial capacity of 11m 60-centilitre bottles a year, will be set up by Carlsberg unit Danbrew and is expected to start operating in early 1993.

Carlsberg said this is its only large project involving an injection of capital in South America, where import barriers and currency restrictions have until now limited the group's expansion.

It said the Industrializadora Guarani group has over 25 per cent of the Paraguayan market for juice and soft drinks.

DASSAULT Aviation of France will consolidate two production sites outside Paris into one during 1992, a move that will allow it to eliminate 130 out of 470 jobs, AP-DJ reports from Paris.

An aircraft prototype workshop at Saint Cloud will move to the actual manufacturing site in Argenteuil.

The company said it expected to be able to eliminate the jobs through voluntary departures, retirements and reclassification of workers rather than outright layoffs.

Dassault Aviation, which makes both civilian and military aircraft, said the move was part of a larger restructuring plan in effect since 1989 that has allowed the company to cut staff to 12,000 from 17,000.

A research office will remain at Saint Cloud, however, the company said, with some 2,600 employees.

INTERNATIONAL CAPITAL MARKETS

Steady flow of Swedish issues expected

By John Burton in Stockholm

INTERNATIONAL investors can expect to see a steady stream of share issues from Sweden following the election of a non-socialist government last month.

The new government is committed to the privatisation of the state-controlled sector. It is due to present a bill to parliament this autumn with details of its privatisation

INTERNATIONAL EQUITY ISSUES

plans, with the first sale likely to take place next spring.

Most of the equity offerings will be open to foreign investors, and several securities houses are eager to participate. However, current Swedish law prohibits foreigners from owning natural resources, such as forests or mines. This could limit foreign participation in the privatisation of companies such as LKAB, the mining company controlled by Fortia, the state holding group, or of defence-related concerns.

The government plans to privatise state-controlled companies gradually. It has indicated that about SKr10bn in assets would be floated annually: if a larger amount were to be floated there is a risk this could swamp the Stockholm stock market. "The last thing this government wants to do is disrupt the stock market," said Mr Sten Westerberg, chief economist at Enskilda Securities.

However, there is some concern over whether the stock market would be able to handle the amount of equity issuance planned by the government, given Sweden's tough economic conditions.

The first privatisation targets are likely to be those companies already listed on the Stockholm bourse, including Procordia, the pharmaceutical and food group and the steel group SSAB.

Procordia's two biggest shareholders are the state and Volvo, the Swedish auto group, which each have a 43 per cent voting stake in the concern. Volvo has already expressed interest in taking majority control of Procordia.

The state owns 58 per cent of the equity and a 68 per cent voting stake in SSAB. The remainder is held by institutional investors, including Swedish banks and insurers.

The sale of Procordia and SSAB would probably be followed by the sale of the following:

■ The two forestry companies – NCB and Assi – which are controlled by Fortia, the state holding group. NCB is already listed. There are proposals to merge these companies with either some or all of Domanverket, the state forestry management concern, which would then be floated on the stock exchange.

■ Celsius Industries, the shipbuilding group that recently acquired the state defence company FFV. Celsius is also controlled by Fortia.

■ Shares in the telecommunications company Televerket and the hydroelectric power group Vattenfall. In these cases, however, the government might try to keep majority control since the Christian Democrats, one of the four coalition partners, want to keep important utilities in state hands.

■ Nordbanken, one of the largest commercial banks, is likely to be on the privatisation list. However, the bank's estimated pre-tax losses of SKr6.6bn for 1991, due to bad loans, means the sale of shares will probably be delayed for a while.

The state has recently increased its voting stake in Nordbanken to about 80 per cent after taking over the shareholding of Mr Erik Penser, the Swedish financier. Nordbanken was a leading creditor to Mr Penser.

Schroders plans joint venture in Malaysia

By Alexander Nicoll

SCHRODERS, the UK merchant bank, is to form an investment management company in Malaysia in a joint venture with South East Asia Development Corporation, a state-controlled financial services group.

Seacorp will own 60 per cent and Schroders 40 per cent, of the venture, which will seek institutional business and will by staffed by a local team in Kuala Lumpur, headed by management from Schroder.

The venture, to be called Seacorp-Schroder Capital management, will take over the management of Asia Unit Trusts, a unit of Seacorp.

Schroder was appointed to advise the government on privatisation.

Treasuries mark time as hopes rise for Fed move

US Treasury prices slipped at the long end on profit-taking but shorter-dated maturities held firm in quiet trading yesterday as the bond market awaited an easing of monetary policy by the Federal Reserve.

In late trading, the benchmark 30-year bond was down $\frac{9}{32}$ at 103$\frac{13}{32}$, yielding 7.827 per cent. The two-year note, rose $\frac{1}{32}$ to 100$\frac{7}{32}$, to yield 5.869 per cent.

For most of the day participants were reluctant to commit themselves to the market as the odds against a policy move by the Fed shortened. The consensus among analysts was that the Fed funds rate would be lowered by 25 basis points to 5 per cent on Friday, if the morning's economic data showed that retail sales in September remained weak and producer price inflation was static or lower.

What little trading there was yesterday represented a squaring of positions ahead of today's auction of $9.25bn in

GOVERNMENT BONDS

seven-year notes. That technical manoeuvring of portfolios, allied to profit-taking, took its toll of the long bond.

■ LONG-dated UK government bond prices fell sharply due to heavy selling of gilt futures. The one-point fall was triggered by the combination of currency and political worries, traders said, citing concern about splits in the Conservative party over the future progress of European monetary union.

Sterling fell in the foreign exchange markets to become the weakest currency in the exchange rate mechanism of the EMS.

The breaching by the Liffe gilt futures contract of the 96.00 level, triggered further selling by dealers with long positions. The Liffe gilt contract, which opened at 96.09, ended the day at 95.15. The benchmark 11¾ per cent gilt due 2003/07 opened at 114¾ and closed at 113¾.

Following the strong rally in the gilt market since the beginning of July, some foreign and domestic holders of gilts have decided to take profits. Traders said that sterling weakness and the likelihood of a general election next year rather than this autumn have lowered expectations of a base rate cut.

■ GERMAN government bonds traded in a narrow range as details of the new 10-year Federal bond issue were announced yesterday.

The German government issued DM3bn of the new 8¾ per cent issue to the federal bond consortium. The issue was priced at 100.6 to yield 8.16 per cent. A further DM3bn is expected to be sold in today's auction and traders expect about DM2bn to be retained by the Bundesbank for its market operations.

The Liffe bund future contract closed at 86.06, down from Monday's close of 86.25. Dealers expect the bund market to trade within a tight range.

■ JAPANESE government bonds slipped as the market focused on the decision by the Ministry of Finance to impose further penalties on the Big Four securities houses for violating securities rules.

The penalties consist of banning the four securities firms – Nomura, Daiwa, Nikko and Yamaichi – from trading for varying periods of time. The yield on the benchmark No 129 closed in Tokyo at 5.925 per cent after opening at 5.905 per cent, and prices slipped further in London trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	111.8189	-0.018	10.11	10.25	10.70
BELGIUM		9.000	06/01	99.3000	-0.200	9.10	9.09	9.20
CANADA *		9.750	12/01	104.6500	-0.450	9.04	9.10	9.86
DENMARK		9.000	11/00	99.9500	-0.140	9.00	9.01	9.20
FRANCE	BTAN	8.500	11/96	97.8938	+0.118	9.02	9.06	9.07
	OAT	9.500	01/01	103.8000	-0.220	8.87	8.82	8.90
GERMANY		8.750	08/01	102.9700	-0.270	8.29	8.34	8.46
ITALY		12.500	03/01	99.8800	+0.050	12.91	12.93	13.28
JAPAN	No 119	4.800	06/99	92.2678	-0.311	6.29	6.25	6.56
	No 129	6.400	03/00	102.4731	-0.405	5.96	5.89	6.25
NETHERLANDS		8.500	03/01	98.6500	-0.120	8.70	8.75	8.78
SPAIN		11.900	07/96	101.1500	+0.050	11.62	11.38	11.52
UK GILTS		10.000	11/96	101-05	-10/32	9.71	9.63	9.76
		10.000	02/01	102-00	-18/32	9.67	9.55	9.75
		9.000	10/08	95-29	-30/32	9.49	9.32	9.56
US TREASURY *		7.875	08/01	103-01	-09/32	7.43	7.45	7.79
		8.125	08/21	103-13	-12/32	7.82	7.82	8.04

London closing, *New York closing. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Fund to invest in Latin American debt

By Richard Waters

ONE of the first closed-end funds to invest exclusively in Latin American debt has been launched by S. G Warburg Securities, part of the UK investment bank.

The high-yielding fund, which has a target yield of 12.5 per cent a year, comes in the wake of recent bullish sentiment among international investors in Latin American debt and equity. It will be managed by Latin American Securities, a London-based joint venture between Foreign & Colonial, a UK fund manager, and Banco de Investimentos Garantia in Brazil. The company has specialised previously in equity funds in the region.

Falling yields on much Latin American sovereign debt, as Brady-style debt reduction deals are concluded or come under negotiation, means the fund will look mainly to other debt instruments for its target return.

Dollar-denominated debt in leading corporations in the region will represent the core of the fund, rising from an initial 40 per cent of the investment to an estimated 75 per cent. A fifth of the fund will also be kept in short-term debt instruments in local currencies to boost the return. Warburg aims to raise $75m for the Latin American Extra Yield Fund, which is only targeted at institutional investors.

The Dublin-based investment company will be listed in Dublin and London, with trading due to start later this month.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103	103⅜	+⅛	6.55
ALBERTA PROVINCE 9 3/8 95	600	107¼	107½	-⅛	7.28
AUSTRIA 8 1/2 00	400	103⅜	103⅝	+⅛	7.92
BANK OF TOKYO 8 3/8 96	100	102¼	102¾		7.74
BELGIUM 9 5/8 98	250	109¼	109½	+⅛	7.82
BFCE 7 3/4 97	150	101	101⅜		7.50
BNP 8 5/8 94	300	104½	104⅞	-⅛	6.80
BP CAPITAL 9 5/8 93	150	103⅝	104⅛		6.72
CANADA 9 96	1000	106⅝	107		7.13
CARCO 9 1/4 96	650	102⅞	104	-⅛	8.49
CCCE 9 1/4 95	300	106½	106⅞		7.01
COUNCIL EUROPE 8 96	100	102⅝	103⅛	+⅛	7.33
CREDIT FONCIER 9 1/2 99	300	108⅞	109¼		7.88
DENMARK 0 98	250	59⅝	60¼		7.87
DENMARK 8 1/4 94	150	103⅜	104⅛		6.75
ECSC 8 1/4 96	193	103⅞	104⅜		7.31
EEC 7 1/4 93	250	101	101⅜		6.44
EIB 7 3/4 96	250	102⅝	103		7.13
EIB 9 1/4 97	1000	107⅞	108⅜	+⅛	7.58
ELEC DE FRANCE 9 98	200	106⅜	106⅞		7.69
EUROFIMA 9 1/4 96	100	106⅝	107⅛	-⅛	7.55
EXPORT DEV CORP 9 1/2 98	150	108⅝	109	+⅛	7.80
FINLAND 7 7/8 97	200	101¾	102⅛		7.57
FINNISH EXPORT 9 3/8 95	200	107	107½		7.31
FORD MOTOR CREDIT 9 1/2 93	300	103⅞	104⅜		7.38
GEN ELEC CAPITAL 9 3/8 96	300	106⅝	107⅛		7.58
GMAC 9 1/8 96	200	104⅛	104⅝		7.93
HALIFAX 9 1/2 93	200	104⅛	104⅜		6.74
IBM WORLD TRADE 7 5/8 93	150	101⅝	102⅛	+⅛	6.76
IND BK JAPAN FIN 7 7/8 97	200	100⅛	100⅝	+⅛	7.83
INTER AMER DEV 7 5/8 96	200	101⅛	101⅝		7.34
ITALY 8 1/2 94	1500	104⅜	104⅞	+⅛	6.72
JAPAN DEV BK 8 94	150	103	103⅜	+⅛	6.69
KANSAI ELEC PWR 10 96	350	109⅜	109⅝	+⅛	7.50
LTCB 8 5/8 93	150	102¼	102⅝		6.86
NEW ZEALAND 8 93	100	102	102⅜		6.68
NIPPON CRED BK 9 3/4 93	150	104⅞	105⅛		7.13
NIPPON TEL & TEL 9 3/8 95	200	106⅛	106⅝		7.21
NORDIC INV BANK 9 93	200	104	104½		6.45
ONTARIO HYDRO 11 5/8 94	200	109⅝	110½		6.98
OSTER KONTROLLBANK 8 1/8 93	200	102½	102⅞	+⅛	6.22
PETRO-CANADA 7 1/4 96	200	99⅝	100⅛		7.40
PRUDENTIAL RLTY SECS 0 99	365.216	55⅞	56⅛		8.40
QUEBEC HYDRO 9 3/4 98	150	108⅛	108⅞		8.15
QUEBEC PROV 9 98	200	104½	104⅞		8.14
SAINSBURY 9 1/8 96	150	105⅝	106⅛	+⅛	7.69
SAS 10 99	200	104⅝	105⅜	-⅛	9.09
[illegible]					
DEUTSCHE MARK STRAIGHTS					
[illegible]					
SWISS FRANC STRAIGHTS					
[illegible]					
YEN STRAIGHTS					
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.53
KREDIETCORP 7 93 LFr	1800	95⅞	96⅞	+⅛	9.53
WORLD BANK 8 96 LFr	1000	96⅛	97⅛	+⅛	9.05
UNILEVER 9 00 Fl	500	103⅛	103⅝		8.47
BCE INC 9 5/8 93 C$	300	101⅛	101⅝	+⅛	8.75
BELL CANADA 10 5/8 99 C$	150	105⅛	105⅝		9.64
BRITISH COLUMBIA 9 1/4 93 C$	150	100⅞	101⅛		8.66
EIB 10 1/8 98 C$	130	102⅞	103⅜	+⅛	9.54
ELEC DE FRANCE 9 3/4 99 C$	275	102¼	102⅝	+⅛	9.35
FORD CREDIT CANADA 10 94 C$	100	101⅝	102⅛		9.30
GENERAL ELECT CAP 10 1/4 93 C$	175	102⅞	103⅛		8.61
ONTARIO HYDRO 10 7/8 99 C$	500	106	106⅜		9.69
OSTER KONTROLLBANK 10 1/4 99 C$	150	104⅞	105⅛	+⅛	9.35
QUEBEC PROV 10 1/2 98 C$	200	103⅞	104⅜		9.71
ROYAL TRUSTCO 10 1/4 93 C$	100	101⅛	101⅝	-⅛	9.40
SWEDEN 9 3/4 93 C$	250	101⅞	102⅛	+⅛	8.62
BELGIUM 9 1/8 96 Ecu	1250	100½	100⅞		8.96
CNT 7 3/8 93 Ecu	250	95⅞	96⅜		10.06
CREDIT LYONNAIS 9 96 Ecu	125	98	99⅛		9.53
DENMARK 7 5/8 96 Ecu	250	92⅞	93⅛		9.65
EEC 7 5/8 94 Ecu	200	97	97⅜	+⅛	9.04
EIB 10 97 Ecu	1125	104⅝	104⅞		8.85
ITALY 10 3/4 00 Ecu	1000	109⅜	109⅞		9.04
UNITED KINGDOM 9 1/8 01 Ecu	2750	101½	101⅞	-⅛	8.87
BP AMERICA 12 1/4 96 A$	100	105⅛	105⅝	+⅛	10.69
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅜	114⅞	+⅛	10.94
COUNCIL EUROPE 13 93 A$	50	102⅞	103⅜		10.55
EKSPORTFINANS 12 3/8 95 A$	75	105⅛	105⅝	+⅛	10.48
FORD CRED AUST 13 93 A$	50	102⅛	102⅝	+⅛	11.17
MCDONALDS CANADA 15 95 A$	100	112¼	112⅞	+⅛	10.78
NAT AUSTRALIA BANK 14 3/4 94 A$	150	108⅜	108⅞	+⅛	10.47
STATE BK NSW 14 1/4 99 A$	100	114	114⅜	+⅛	11.47
VOLKSWAGEN INTL 15 94 A$	100	109⅛	109⅝	+⅛	10.62
ABBEY NATL TREAS 13 3/8 95 £	100	107⅞	108⅛	-⅛	10.49
BARCLAYS JERSEY 9 1/2 93 £	250	98⅞	99⅛	-⅛	10.26
BRITISH GAS 12 3/4 95 £	300	106⅝	107⅛	-⅛	10.22
DEUTSCHE BK FIN 11 94 £	225	101⅞	102⅛	-⅛	10.05
EIB 10 97 £	366.5	99⅝	100⅛	-⅛	10.04
FORD CREDIT FUNDING 9 5/8 93 £	50	97⅞	98⅜	-⅛	11.13
INTER AMER DEV 11 3/8 95 £	75	103⅞	104⅛	-⅛	10.05
ITALY 10 1/2 14 £	400	99½	99⅞	-⅛	10.54
LAND SECS 9 1/2 07 £	200	85⅛	85⅝	-⅛	11.53
LEEDS PERMANENT 9 1/4 93 £	50	98	98⅜	-⅛	10.57
NORWAY 10 1/2 94 £	200	101	101⅜	-⅛	9.95
ROLLS-ROYCE 9 5/8 93 £	150	98⅛	98⅝	+⅛	10.72
SAINSBURY 10 7/8 93 £	100	100⅛	100⅝		10.56
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅛	106⅝	-⅛	10.81
[illegible]					
FLOATING RATE NOTES					
[illegible]					
CONVERTIBLE BONDS					
[illegible]					

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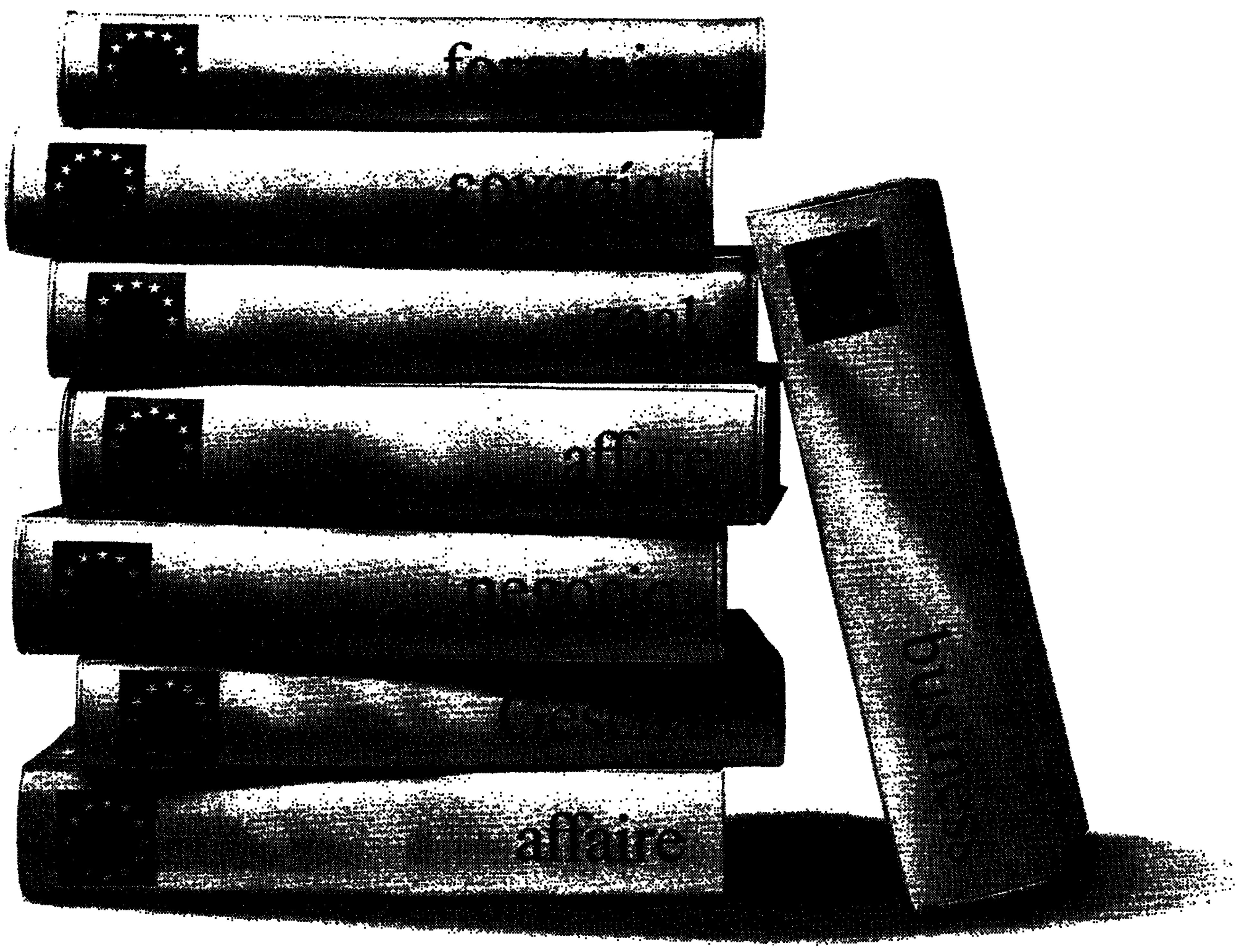
What's uncommon about the Common Market?



Eliminating national boundaries in your business will not necessarily lead to boundless growth.

The momentum is beginning to pick up. The Single European Market is no longer just a vision. It will soon become a reality.

The closer the date of January 1, 1993 approaches, the fewer the remaining obstacles to European economic integration. Some of these impediments are small and some are large.

But of one thing you can be certain: they are definitely being overcome. The political will is there, and much of what still divides the twelve member states is on its way out.

But even with all the necessary European unification measures, just how uncommon will the Common Market actually be in just a couple of years?

The experts all agree: the Europe of the future will continue to be characterized *by contrast and complexity.*

Not only because of its great linguistic and cultural diversity.

But because Europe is about to be transformed into a continent of regions rather than of separate nations.

Regions which are above all engaged in strong economic competition. Regions which have numerous ways of presenting themselves in the best possible light – a situation which complicates decision-making for potential investors. Fortunately, there is something uncommon which is common to the entire Common Market.

Dresdner Bank.

Already today, throughout Europe, you'll find us where it counts.

Our experienced local specialists can provide you with crucial support, all the way from overcoming the language barrier to helping you pin down the ideal site for your new business operations.

And thanks to our specialized international bank in Luxembourg, Europa Bank, we can put together complex packages including various regional European subsidies and EC support programs, thereby satisfying the most demanding of financing requirements.

For you see, while others were just beginning to think European, Dresdner Bank was already taking action.

Dresdner Bank. An uncommon bank. For an Uncommon Market.

Dresdner Bank

INTERNATIONAL CAPITAL MARKETS

Alberta $1bn offering receives warm reception

By Simon London

ALBERTA yesterday became the latest Canadian province to tap the international bond market, following Ontario, British Columbia and Quebec in recent weeks, but broke ranks by choosing to borrow in US rather than Canadian dollars.

The $1bn seven-year issue, lead-managed by Deutsche Bank Capital Markets, carries a coupon of 7⅝ per cent and was re-offered to investors at a fixed price of 99.32. At this level, the yield over US Treasury bonds is 45 basis points.

INTERNATIONAL BONDS

Participants commented that any initial doubts about the pricing proved unfounded. Strong demand, led by UK and continental European accounts, saw the bonds trade at around the fixed re-offer price throughout the day.

Alberta is rated AA1/AA by Moody's and Standard & Poor's, the US credit rating agencies, one of the stronger credits among the Canadian provinces.

It is also an infrequent borrower in the international market. However, there is a $750m 7⅝ per cent Eurodollar bond issue maturing in December and the proceeds of this issue will be used to refinance that issue.

The warm reception for the issue underlined the bullish sentiment in the Eurodollar bond market, where participants are expecting another easing of US monetary conditions.

In the Canadian dollar sector, Ford Credit Canada and Montreal Trustco each raised C$100m five-year funding via ScotiaMcLeod. The Canadian currency yesterday fell below C$1.13 against the US dollar, its strongest level for 12 years.

Elsewhere, Pacific Electric Wire & Cable, a Taiwanese industrial group, launched a $60m convertible bond issue lead-managed by J.Henry Shroder Wagg.

Three of the four Taiwanese convertible bonds issued earlier in the year have performed badly in the secondary market. The first issue of the year, for Acer Industries, was yesterday trading at 83.5 bid, against an issue price of par.

However, the last issue, launched by Far East Textiles via Salomon Brothers two weeks ago, has proved more resilient and was yesterday trading at 104 bid. This has restored some confidence to the sector.

Yesterday's issue will be priced with a coupon of between 3¾ and 4 per cent. The bonds will convert into shares at a premium of between 8 per cent and 10 per cent over the current share price – lower than the 10 to 15 per cent share premium originally envisaged by bankers.

The bond also has a put option, giving investors the right to sell the bonds back to the company after 1996 at a yield of around 9 per cent.

This feature was seen as an safeguard against the Taiwanese authorities not lifting regulations which, currently, prevent overseas investment in Taiwanese companies – including the conversion of bonds into equity.

Turkey increased its DM300m five-year deal, launched on Friday via Commerzbank, to DM500m. The bonds carry a coupon of 10¾ per cent and traded within full fees of 2 per cent throughout the day.

● THE Chicago Board Options Exchange plans to list CAPS, a new type of option based on the Standard & Poor's 100 and 500 indices, on November 1, writes Barbara Durr in Chicago.

The innovation of the new product is its limitation of risk, which is important for sellers of options. It will carry a cap price that is 30 points above or below the index at the time of listing.

CAPS, which will include both calls and puts, will also feature an automatic exercise of the contract when the index closes at or above the cap price.

A put option is the right to sell a security at a set price within a specified time period, a call option is the right to buy under the same circumstances.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Province of Alberta(a)†	1bn	7⅝	99.32	1998	0.30/0.20	Deutsche Bk Cap.Mkts.
Pacific Elec.Wire & Cable(b)§	60	(3¾-4)	100	2001	2½/1½	J Henry Schroder Wagg
ECUs						
BHF Finance (Neth.) BV(a)†	100	9⅛	101	1996	-	BHF-Bank
CANADIAN DOLLARS						
Ford Credit Canada(a)†	100	9⅝	101.30	1996	1⅞/1.55	ScotiaMcLeod Inc.
Montreal Trustco Inc.(a)†	100	9⅝	101.55	1996	1⅞/1.55	ScotiaMcLeod Inc.
FRENCH FRANCS						
Interfin.Credit Nat.(c)†	750	9⅛	99.66	1993	(c)	Paribas Cap.Mkts.
LIRE						
World Bank(a)†	500bn	10.60	101¾	2001	1⅞/1¼	Bca.Nazionale d'Lavoro
SWISS FRANCS						
Small Business Fin.(a)†	120	7	101¾	1996	-	UBS
Sanken Electric Co.(a)★★◆	100	4½	100	1995	-	Credit Suisse
YEN						
Toyo Ink Manufacturing(a)†	15bn	7	101⅝	2002	2/1¼	Nikko Secs.
D-MARKS						
Republic of Turkey(d)†	500	10¾	101	1996	2/1¼	Commerzbank

★★Private placement. §Convertible. ◆With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable from 1996 at 103% (subject to 130% rule) increasing to 165% in year nine. Put option from 1996 to 2000 to yield 8¾%-9%. c) Fungible with existing FFr1.5bn deal. Selling concession fee - 0.12. d) Amount increased from DM300m. Non-callable.

European Bourse Reform: New legislation encounters resistance in Milan

Counting the cost of technological change

UNLIKE London, where stock market reform lined stockbrokers' pockets liberally, Big Bang in Italy has turned into a struggle to stay afloat amid the Milan bourse's increasingly troubled waters.

Much of the blame for Milan's current problems lies with the brokers, who run the bourse and whose traditional trading monopoly has stifled innovation and investment. Sloppy regulation has also given the market a well-deserved reputation for poor execution and insider trading – just two of the reasons why many international funds are underweight in Italian shares.

Rocked by scandals – most recently that involving the Dumenil Leble group, where around L100bn of shares went "missing" – morale at the bourse has seldom been lower. Strike meetings this week by the floor traders' association, 250 of whose members have received redundancy notices in recent weeks, show how low the mood has slumped.

Matters have been exacerbated by dwindling trading volumes, which fell as low as L40bn-L50bn a day.

At the same time, a recent study by the Bank of Italy highlighted the growing share of business going to London's SEAQ International system.

Trading in the 21 Italian shares now quoted on SEAQ amounted to 58.9 per cent of that in Milan in January to May this year. In the case of shares in gas group Italgas, SEAQ volume in May was around three times Milan's.

The floor traders' grievance, which follows a series of strikes last year, stems from the impending introduction of the Societa di Intermediazione Mobiliare (SIM), a new type of stockbroking and fund management operation, which will offer greatly improved transparency and observe much higher capital requirements.

The law creating the SIMs, which will start business in January, will transform the bourse. Along with the arrival of screen-based trading and faster settlement, it is one of a number of steps which should make up for years of neglect.

But as the floor traders' agitation suggests, not everyone is happy with the changes. Brokers and floor traders top the list of those likely to suffer.

The new legislation requires the presence of an authorised broker in any new equity-trading SIM. Nevertheless, the SIMs are set to be dominated by the banks, many of which have already set up new operations. The fact that brokerages have not changed hands for huge sums, as in London, reflects the poor standing of many Italian firms, which have little to offer a prospective purchaser. Moreover, a broker will only be required in a trading SIM for a one-year "transition period," after which SIMs can be set up broker-free.

The banks will also have to make some sacrifices. Under the new system, all share trading will have to be concentrated on the bourse, putting an end to the current practice whereby many banks match customers' buy and sell orders internally.

The timetable for screen-based trading, originally expected to begin last month, has slipped slightly. However, trading in four or five medium-sized quoted companies should start before the year-end. Next year, the network of screens will be extended from the bourse floor to the SIMs' offices, while the number of companies covered will rise steadily.

MILAN BOURSE		
Listed companies	Italian 225	*Foreign 2
	End-Sept 1991	End-Sept 1990
Market capitalisation (L bn)	L182,377	L180,955
Turnover	First nine months 1991	First nine months 1990
Total	L51,857bn	L71,541
Bonds	L26,082bn	L28,453bn

*Foreign companies only admitted as of Aug 91

Matters are also changing on settlement, which is widely seen as one of Milan's biggest weaknesses. As the Dumenil Leble episode showed, the current system of four-week account periods followed by two weeks settlement, provides ample scope for confusion, and, sometimes, sharp practice.

According to Consob, the companies and stock market watchdog, settlement will be reduced to just three days from 1993. Consob has also said it wants to improve share registration and transfer procedures, which are largely carried out under the Montetitoli share registration system.

The aim is to eliminate all physical transfers of shares, which will be stored at Montetitoli, in favour of a computer-based system which will simply register ownership changes. There are now only six listed companies which do not use Montetitoli, according to bourse officials. However, for the system to work properly, Consob must convince all financial intermediaries also to participate, which it hopes will happen next year.

Will the changes be enough to allow Milan to match developments at other big European bourses and fend off SEAQ? Although some vital and long-overdue measures are now underway, there are still other steps which have to be taken.

Many are cultural or linked to the country's structural economic problems and therefore less easy to tackle.

With just 225 companies listed, the bourse is dominated by a handful of big corporate "families" and their subsidiaries. Fiat and Ferruzzi may be Italy's two biggest private-sector companies, but the market barely reflects the thousands of small and medium-sized companies which are Italy's economic backbone.

The reluctance of many smaller companies to float their shares partly reflects the bourse's poor reputation. Many entrepreneurs are also reluctant to cede even partial control to outside shareholders. Others may fear the public attention a listing could bring. Nor is there much encouragement to float in tax terms.

Certain structural barriers also impede the market's growth. Italy's tradition of big budget deficits means interest rates have tended to be relatively high in order to attract private savings into government bonds.

Private funding of the deficit is further stimulated by various tax advantages, which further reinforce the appeal of saving in government securities. By contrast, equities offer no such tax advantages.

Raising popular share ownership through privatisations is also taboo politically. Popular support for privatisation is less obvious in Italy than in some other European countries, while most political parties oppose wide-scale sell offs.

What disposals have taken place have tended to be limited to minority stakes, or non-voting savings shares. New banking laws mean that public-sector banks can now become joint stock companies and many will soon be tapping the bourse for funds. But even then, there will be a 49 per cent ceiling to the stakes they sell.

Haig Simonian

SEC decision on NASD trading system expected shortly

By Patrick Harverson in New York

THE Securities and Exchange Commission is expected tomorrow to decide whether to approve the National Association of Securities Dealers' (NASD) plan to compete with trading of US stocks in London by allowing early trading of US-listed stocks in New York.

The SEC has delayed its approval because of concern that the trade reporting rules governing the NASD's system, Nasdaq International, are too lax. The NASD has proposed that details of trades executed on the system would not have to be reported immediately, but at the end of each session, which would run from 3.30am to 9am New York time.

The exemption from immediate trade reporting is aimed at winning back business lost to overseas markets, primarily in London, where disclosure requirements are less onerous than in the US. In recent years, growing numbers of US institutions have traded US stocks on the London Stock Exchange's Seaq International system because the looser reporting standards enable them to trade anonymously.

US investors have also used London on days of volatility in international stock markets – such as during the Gulf war – when there is a need to buy and sell US stocks before US markets have opened at 9.30am New York time. The NASD hopes its system, if approved, will persuade some of that business to return to the US.

Nasdaq International will also list New York Stock Exchange stocks, a direct attempt to win business from the NYSE, which in July postponed its plan to start early-hours trading in its stocks because of opposition from market professionals.

The SEC has been considering the NASD early-trading plan for 18 months. In an attempt to forge a compromise with the Commission, the NASD has said although trades executed on Nasdaq International will be exempt from the normal rule requiring almost immediate disclosure of price and volume details, for those stocks with two or more market-makers the high and low of all bids, and the total volume traded, will be made public when the early session ends at 9am.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tue Oct 8 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Oct 7: Index No.	Fri Oct 4: Index No.	Thu Oct 3: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (182)	832.98	-0.6	9.38	5.83	13.29	29.93	837.90	848.71	853.00	717.08
2	Building Materials (23)	1011.50	-0.4	7.46	6.16	17.61	40.19	1015.14	1026.64	1038.56	987.75
3	Contracting, Construction (31)	1124.14	-0.9	8.32	6.48	16.44	45.06	1134.44	1149.26	1162.03	1167.14
4	Electricals (11)	2619.96	....	8.36	5.04	15.15	72.48	2619.02	2639.23	2645.40	1934.71
5	Electronics (25)	1742.66	-1.3	10.99	5.47	11.51	49.55	1764.93	1802.85	1798.27	1580.45
6	Engineering-Aerospace (8)	363.66	-1.2	15.47	7.07	7.80	16.48	367.93	373.23	375.73	412.63
7	Engineering-General (43)	493.70	-0.4	9.96	5.17	12.40	15.79	495.71	500.15	503.05	376.38
8	Metals and Metal Forming (9)	450.14	-0.2	14.61	7.87	8.31	17.48	451.07	453.80	458.97	410.14
9	Motors (12)	341.50	-0.8	8.74	7.05	14.61	14.65	344.26	349.76	351.43	271.17
10	Other Industrial Materials (20)	1608.75	-0.4	7.88	5.07	15.08	56.55	1615.57	1636.36	1638.39	1166.84
21	CONSUMER GROUP (189)	1549.95	+0.2	7.39	3.61	16.75	31.94	1546.78	1559.77	1559.97	1200.43
22	Brewers and Distillers (22)	1935.67	-0.3	8.00	3.47	15.21	38.33	1941.06	1953.18	1948.61	1503.29
25	Food Manufacturing (19)	1227.02	-0.1	9.23	4.08	13.37	26.32	1228.69	1237.61	1242.23	1011.39
26	Food Retailing (17)	2489.10	-0.2	8.94	3.39	14.62	50.36	2494.90	2546.62	2576.39	2380.22
27	Health and Household (22)	3739.46	+1.1	5.41	2.53	21.21	58.55	3698.60	3722.46	3714.60	2395.16
29	Hotels and Leisure (24)	1329.26	+0.1	7.66	5.30	16.13	37.73	1327.49	1340.58	1336.69	1211.34
30	Media (26)	1520.50	+0.1	7.08	4.67	18.45	43.94	1519.32	1528.72	1528.42	0.00
31	Packaging, Paper & Printing (17)	770.20	-0.2	7.30	4.24	16.63	22.26	771.99	779.26	781.35	492.95
34	Stores (33)	990.13	+0.1	7.51	3.75	17.46	19.20	989.15	996.52	993.74	807.45
35	Textiles (9)	627.17	-0.2	7.37	4.96	17.21	15.16	628.33	633.10	633.01	409.37
40	OTHER GROUPS (109)	1301.54	-0.1	9.25	4.98	13.60	35.68	1303.27	1319.16	1320.24	991.69
41	Business Services (12)	1434.42	+0.1	7.45	4.55	16.70	34.95	1432.74	1447.24	1437.09	0.00
42	Chemicals (21)	1469.27	+0.4	6.86	4.92	17.99	48.39	1463.05	1468.61	1466.32	996.27
43	Conglomerates (10)	1513.08	....	9.64	6.95	12.57	38.76	1513.33	1534.62	1530.88	1332.12
44	Transport (13)	2363.33	-0.5	7.21	4.81	17.17	66.37	2376.39	2415.58	2423.41	1910.94
45	Electricity (16)	1256.56	-0.2	13.98	5.18	9.33	27.53	1259.36	1273.53	1280.67	0.00
46	Telephone Networks(4)	1615.36	....	9.28	3.75	14.11	28.34	1615.85	1636.61	1645.15	1120.20
47	Water(10)	2487.92	-0.7	16.42	6.19	6.74	118.37	2505.82	2536.23	2526.70	1932.40
48	Miscellaneous (23)	1871.29	-0.5	5.28	5.26	26.23	69.66	1880.90	1912.67	1904.83	1552.39
49	INDUSTRIAL GROUP (480)	1295.34	....	8.37	4.48	14.88	33.31	1296.08	1309.68	1311.37	1019.33
51	Oil & Gas (20)	2456.25	+0.6	10.63	5.65	12.43	92.91	2441.75	2449.55	2435.48	2407.80
59	500 SHARE INDEX (500)	1394.71	....	8.65	4.62	14.53	38.03	1394.38	1407.76	1408.36	1132.58
61	FINANCIAL GROUP (91)	813.08	+0.1	-	5.75	-	30.50	812.28	821.63	825.38	707.93
62	Banks (9)	956.56	+0.2	4.36	5.58	43.38	36.83	954.20	965.72	964.50	766.39
65	Insurance (Life) (7)	1507.38	-0.5	-	5.61	-	62.78	1514.31	1527.20	1545.59	1376.54
66	Insurance (Composite) (6)	617.31	+0.4	-	7.11	-	28.25	614.60	627.69	635.37	620.59
67	Insurance (Brokers) (9)	1163.16	-0.3	7.06	5.83	18.54	42.45	1167.01	1176.29	1178.77	784.94
68	Merchant Banks (7)	480.52	....	-	4.39	-	13.08	480.28	482.91	480.77	356.13
69	Property (36)	934.83	-0.2	5.86	5.00	24.14	23.01	936.30	945.16	955.54	899.54
70	Other Financial (17)	260.16	+0.5	11.04	7.06	11.37	10.84	258.75	257.79	258.04	249.13
71	Investment Trusts (70)	1249.00	+0.2	-	3.46	-	26.66	1246.51	1254.43	1256.36	1003.30
99	ALL-SHARE INDEX (661)	1254.40	....	-	4.74	-	35.71	1253.92	1266.15	1267.41	1027.82

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 7	Oct 4	Oct 3	Oct 2	Oct 1	Year ago
FT-SE 100 SHARE INDEX‡	2599.5	+3.3	2606.1	2590.2	2596.2	2624.6	2625.6	2644.2	2645.6	2134.1

FIXED INTEREST

	PRICE INDICES	Tue Oct 8	Day's change %	Mon Oct 7	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.42	-0.03	122.45	1.96	9.31
2	5-15 years (27)	135.65	-0.36	136.13	2.38	10.24
3	Over 15 years (9)	143.40	-0.66	144.35	1.69	10.60
4	Irredeemables (6)	161.03	-0.14	161.26	3.72	8.83
5	All stocks (70)	133.72	-0.27	134.09	2.22	10.07
	Index-Linked					
6	Up to 5 years (2)	166.20	-0.05	166.29	0.53	2.72
7	Over 5 years (9)	148.76	-0.20	149.06	0.85	3.42
8	All stocks (11)	150.04	-0.18	150.31	0.80	3.40
9	Debs & Loans (60)	114.72	+0.01	114.70	1.98	8.33

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 8	Mon Oct 7	Year ago (approx.)
	British Government				
1	Low	5 years	8.53	8.48	10.76
2	Coupons	15 years	9.41	9.37	10.76
3	(0%-7¾%)	20 years	9.41	9.37	10.75
4	Medium	5 years	9.64	9.60	11.45
5	Coupons	15 years	9.57	9.48	11.24
6	(8%-10¾%)	20 years	9.53	9.45	11.17
7	High	5 years	9.86	9.82	11.57
8	Coupons	15 years	9.63	9.55	11.45
9	(11%-)	20 years	9.55	9.49	11.40
10	Irredeemables	†	9.60	9.58	10.91
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.80	3.78	3.95
12	Inflation rate 5%	Over 5 yrs.	4.23	4.22	4.32
13	Inflation rate 10%	Up to 5 yrs.	3.21	3.19	2.81
14	Inflation rate 10%	Over 5 yrs.	4.06	4.05	4.14
15	Debs &	5 years	11.19	11.20	14.11
16	Loans	15 years	11.01	11.01	12.77
17		25 years	10.83	10.83	12.34

‡Opening index 2590.2; 9 am 2600.1; 10 am 2600.4; 11 am 2598.5; Noon 2600.4; 1 pm 2602.5; 2 pm 2603.4; 2.30 pm 2604.8; 3 pm 2605.3; 4.10 pm 2600.5; (a) 3.08pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. NAME CHANGES: Markheath Securities (69) is now Markheath; Oxford Instruments Group (4) is now Oxford Instruments.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	71	8
Corporations, Dominion and Foreign Bonds	1	5	14
Industrials	218	281	997
Financial and Properties	87	113	558
Oils	25	15	50
Plantations	0	1	9
Mines	42	36	75
Others	43	56	36
Totals	420	578	1,747

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
380	Nil	-	12pm	6pm	British Aerospace 50p	6pm	
160	Nil	-	38½pm	25pm	Hickson International	28pm	+1
210	Nil	-	11pm	2pm	Hillsdown Hldgs. 10p	2pm	-2
85	Nil	-	16pm	12pm	Record Hldgs. 5p	16pm	
14½	Nil	-	2pm	½pm	Starmin 5p	½pm	
200	Nil	-	10pm	4pm	Third Mile Inv. Units	4pm	
45	Nil	-	23pm	16pm	‡Trans World Comms. 10p	17pm	
3½	Nil	-	1pm	1pm	Willis Group A	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. F Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Oct 7
- Last Dealings Oct 18
- Last Declarations Jan 9
- For settlement Jan 20

For rate indications see end of London Share Service

Calls in: ASDA Group, Aviva Pet., Mountleigh, Robinson (T.), TV-am, Tuskar Res., Vtech. Puts and Calls: Monarch Res., Speyhawk.

LONDON TRADED OPTIONS

[illegible]

October 8 Total Contracts 19,969
Calls 11,040 Puts 8,923
FT-SE Index Calls 2,980 Puts 1,236
Euro FT-SE Calls 773 Puts 1,190
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

UK COMPANY NEWS

BM absorbs Blackwood and advances 48%

By Jane Fuller

BM GROUP, the construction equipment group which acquired struggling Blackwood Hodge last autumn, increased pre-tax profit by 48 per cent, from £23.1m to £34.1m, in the year to June 30.

Mr Roger Shute, chairman, said the main weapon used against the recession was "bloody hard work". In absorbing Blackwood Hodge, bought for about £55m, he said the team involved had worked so hard that "thankfully many of them were single, or their marriages would not have stood up to it".

Blackwood, included for 7½ months, added £142m of the £168m increase in group sales to £396.4m. At the pre-tax level it contributed £5.3m. The extra shares in issue slowed diluted earnings growth to 24 per cent, to 28.1p (22.6p).

The attack on Blackwood Hodge included cutting 1,900 jobs, to leave a group total of 4,900. Mr Shute said annualised cost savings amounted to £31m, stocks were reduced from a pro forma £241m to £162m and debtors from £137m to £99.5m.

While Blackwood eroded pre-tax margins in the construction equipment division, which contributed £18.8m (£10.7m), they were enhanced in both manufacturing, which made £5.7m (£3.7m), and building products – £7.4m (£7.3m) – in spite of slow or falling sales.

Mr Shute said that the sale of mining equipment in Canada, Australia and the UK had helped the group to avoid the recession in building and the lighter end of construction.

Wincanton engineering was another illustration of the switching to more buoyant markets, having created a new market for its stainless steel products in the oil industry when demand slumped from its dairy customers.

Blackwood had helped the group's rapid transition from heavy dependence on the UK to a much broader spread – 53.5 per cent of sales were overseas last year.

After the acquisition debt peaked at nearly £110m. By the year-end it was down to £81m, for gearing of 68 per cent.

A proposed final dividend of 1.8p makes a total of 3.4p (2.6p).

● COMMENT

Mr Shute was asked if one of his targets included making BM a FT-SE 100 stock. His answer was that he did not know (or care) because such knowledge made him no money. He saves his missionary zeal for earnings per share – and he is sorry that he cannot continue to grow them at a compound rate of 60 per cent – and for margins, which he can rattle off as quickly as disparaging remarks about businessmen who spend time on golf courses. With BM delivering another set of remarkable results, the group's credibility has improved, although there is still a little nervousness about exactly how the "walking on water" has been achieved, including the level of faith required in Mr Shute. This helps to explain why the prospective p/e of a little more than 12 on a profit forecast of £43m remains at a small discount to the market even after a 93 per cent rise in the share price since a post-acquisition dip. The rating still looks undemanding.

Fidelity European Values to raise £80m

By Philip Coggan, Personal Finance Editor

FIDELITY EUROPEAN Values, an investment trust, is hoping to raise £80m via a placing and offer-for-subscription on the main market.

The trust is issuing a minimum of 40m and a maximum of 80m ordinary shares at 100p each. In an attempt to prevent the shares from trading at a discount to net assets, they are being offered with warrants attached on a 1-for-5 basis.

An unusual feature is that the trust has already placed £10m of loan stock, which will be linked in value to the FT-A Europe ex-UK Index, with quarterly dividend payments matching the yield on that index.

The existence of this loan stock means that the performance of the fund depends on the manager's ability to beat the index. If he outperforms, the trust will receive an extra boost; if he underperforms, the trust will receive an extra blow.

Investment philosophy will follow the Fidelity house style of stock picking and "value" investing. This philosophy has had long term success and the trust's portfolio will resemble that of Fidelity's European unit trust, top in its sector over the five years to October 1. However, the fund has not done well recently; over two years, it is 103rd out of 110 trusts in the sector.

Mr Anthony Bolton, the fund manager, believes there is scope for European equities to reverse their underperformance of the last 18 months as structural efficiencies, such as restricted voting rights, are eliminated and investors realise that the gloom over German reunification and eastern Europe has been overdone.

Just over 21m shares have already been placed and UBS Phillips & Drew is underwriting a further 18.9m. The rest are being offered to the public; the minimum investment is £1,000. There will only be a nominal dividend yield on the shares and the annual management fee will be 1 per cent.

Like most recent investment trust new issues, Fidelity's offer is linked to a personal equity plan, which allows income and capital gains to be received tax free. A quirk of the PEP rules allows a full £6,000 to be placed in a new issue, compared with the conventional unit and investment trust limits of £3,000. This is the first full European investment trust PEP.

Minimum investment in the PEP is £3,000 and there will be an additional initial charge of 3.5 per cent and an extra annual charge of 0.75 per cent on PEP investors.

Ashley Ashwood

Robin Launders (left) and Martin Edwards: successful cup runs contributed to good set of maiden results

Manchester United ahead of forecast

By Jane Fuller

MANCHESTER United, leader in the first division of the Football League, yesterday delivered a good set of maiden results and said it had more than £14m in the bank.

Success in cup competitions, notably winning the European Cup Winners Cup, accounted for more than half the £5.38m pre-tax profit made in the year to July 31. That was ahead of the £5.26m forecast in May, prior to the flotation, which proved less than successful.

In the first four months of trading, the share price had fallen as low as 262p compared with the placing value of 385p. At yesterday's unchanged 295p, the company is valued at £36m.

Turnover rose 54 per cent to £17.8m (£11.6m). Mr Martin Edwards, chief executive and holder of 28 per cent of the shares, was anxious to stress the underlying improvement in revenue that was not subject to knock-out cup competitions.

"Prices are going up 30 per cent this year, there is a prepayment from Umbro for the new kit deal, we have much more money on deposit and an extra two league games."

Nevertheless, Smith New Court, the company's broker, has revised its pre-tax profit forecast from £6m to £5m for this year because of the unexpected purchase for £1.75m of Paul Parker, the England defender. The forecast, which assumes moderate cup fortunes, includes earnings per share of 29p, compared with 37p last year, giving a prospective p/e of just over 10.

Mr Edwards explained that with UEFA rules limiting "foreign players" – including those from Wales, Scotland, Northern Ireland and the Irish Republic – to four, another full back was needed for the European campaign.

Transfer fees hade proved about as variable as the fitness of the United captain Bryan Robson.

In 1989-90, a £5.16m spree knocked the company into a £2.78m loss. Last year only £800,000 was spent, mostly on the Russian winger Andrei Kanchelskis.

Mr Edwards said a transfer reserve had been set up with an initial £2m, which could be seen as a way of protecting the dividend. A total of 17.4p has been promised for the current year, giving a prospective yield of nearly 8 per cent.

The group's strong cash position was partly the result of £6.7m flotation proceeds, which will help with an £11m bill for redeveloping the Stretford End of the Old Trafford ground.

So far this season the average home gate for league games has been 45,000, about 2,000 up on last year. Mr Robin Launders, finance director, said the gross gate income from each home game was about £500,000.

Avonmore raises I£30.9m

By Michiyo Nakamoto

AVONMORE FOODS, the Irish food products and ingredients group, is raising I£30.9m (£28.4m) by a placing with a clawback for shareholders.

The group is issuing 34.9m new ordinary shares which will be available for subscription by shareholders at 91p apiece on a 1-for-4 basis. The shares fell 3p to 90p.

The capital raised will initially be used to reduce borrowings and bring gearing down from 50 per cent to about 20 per cent.

However, it is also considering a number of acquisition possibilities in line with its stated growth policy. Talks over a possible 50/50 merger with Waterford Foods, another Irish food group, failed last month.

Avonmore has expanded rapidly in the past few years in an effort to diversify and transform itself into an international food group.

While it has invested heavily in existing businesses, its growth has also been fuelled to a considerable extent by a series of acquisitions, which last year numbered ten in Ireland, the UK and the US.

Turnover last year rose by 24 per cent to I£499.7m and borrowings increased to I£65.6m representing 60 per cent of capital employed. However, the group has a strong cash flow and Mr Brendan Graham, group secretary, said that it was not uncomfortable with the level of its borrowings.

It was no secret that Avonmore had a corporate plan to expand its business, Mr Graham said.

Blue Bird sweet sale

Blue Bird Confectionery, the Birmingham-based toffee and sweet business which went into receivership last month, has been sold. The buyer is Jack Chia Group, a Singapore-based company which has interests including pharmaceuticals, publishing, property and confectionary distribution.

Legal battalions enter TVS licence fight

By Raymond Snoddy

TVS ENTERTAINMENT, the independent television contractor for the south of England, is already preparing a case to take to judicial review if it loses in this month's competitive tenders for new ITV licences.

TVS bid £54.1m a year to try to retain its franchise, or nearly £60m at the 1993 prices required, much higher than its three rivals.

Under the competitive tender procedure the Independent Television Commission only considers the bids of those applicants which successfully pass an initial quality threshold. The threshold covers the viability of applicants business plans as well as programme quality.

There are clear worries at TVS that the company might be failed at the quality hurdle for bidding high. The TVS bid is believed to be £25m higher than its nearest rival. The three competitors are Meridian Broadcasting, Carlton Communications and CPT-TV, the David Frost-Richard Branson consortium.

If TVS is turned down on the basis of its business plan the company, which has the backing of Time Warner, the media group, Canal Plus, the French television company and Associated Newspapers, will attack the decision on the grounds of "unreasonableness".

The outcome is expected to be announced a week today. If TVS fails the company believes it might have further grounds for judicial review because of lack of natural justice. The ITC has made no substantive queries on the TVS business plan and therefore the ITV company has been given no chance to defend any potential attack on its viability.

Mr Rudolf Agnew, chairman, has warned shareholders that if TVS is not awarded the licence work would probably begin on realising the assets of TVS Television. It was also possible that the company could decide it was in shareholders' interests to go into early liquidation before existing franchises ran out at the end of next year.

If TVS is successful Meridian has the option of taking the ITC to judicial review on the grounds for accepting the £60m bid.

London and Manchester helped by strong life side

By Richard Lapper

LONDON AND Manchester, the Exeter-based life insurer, yesterday announced a 6 per cent rise, from 4.176p to 4.428p, in its interim dividend.

The increase reflected a strong performance by the group's life insurance business in the first half of the year.

New annual premiums increased by 6.4 per cent to £25.1m (£23.6m), while single premiums rose by 15 per cent to £33.9m.

The increases were ahead of the industry average, partly reflecting buoyant home service branches, where sales of annual premiums rose from £7m to £8.2m. It has also benefited from the positive impact on life transfers of high stock market values.

New business sold by L and M's home services branches is exclusively underwritten on a unitised with-profits basis, while 50 per cent of the group's sales via brokers are unitised with-profits policies and 50 per cent unit-linked policies.

Mr Tom Pyne, deputy chief executive, said that the unitised with-profits contract introduced last year made it easier for customers to switch from unit-linked to with-profits policies and vice-versa.

The change also meant the group could write greater quantities of new business with less capital.

Scottish Mutual reveals bonuses for policyholders

By Richard Lapper

SCOTTISH Mutual Assurance yesterday published details of the bonus package that it is offering policyholders as part of its planned takeover by Abbey National.

The company, which is owned by its with-profits policyholders, agreed last month to accept a £285m offer.

The money is to be allocated to Scottish Mutual's long-term business fund and will finance a special bonus of £64m for with-profits policyholders – 167,000 will benefit.

Actuaries have devised a formula designed to benefit all classes of with – profits policyholders.

For conventional with-profits policyholders, Scottish Mutual will pay a bonus of 4 per cent on the sum assured – which will benefit more recent policyholders – plus an additional 6 per cent bonus on accumulated bonuses, which will benefit policyholders who have had policies for a longer period.

For holders of unitised with-profits policies the company will pay a 4 per cent bonus on the current bid price value of units, plus an additional 4 per cent of future regular premiums into with profits units as at January 1 1992.

The company quoted two examples of the type of benefits policyholders could expect to receive.

Firstly, a non-smoking man aged 29 with a 25 year with – profits endowment life policy, paying a £30 per month premium, could expect a bonus of £424 for a policy taken out in 1986, rising to £1,000 for one taken out in 1971.

Secondly, a self-employed man aged 34 having a with – profits policy and paying a £60 premium would receive a bonus of £1,836 for a policy taken out in 1986, rising to £4,702 for one taken out in 1972.

The 175,000 policyholders who are eligible to vote on the deal were sent details of the offer on Monday. Voting forms must be returned by November 9, although policyholders can vote in person at the Scottish Mutual special general meeting in Glasgow on November 11.

At least 75 per cent of voters must be in favour for the scheme to be approved. The court in Edinburgh must also give its approval.

Ratners defends share price

By John Thornhill

Ratners Group, the jewellery chain, yesterday said there had been "no change in its operations that would account for the recent weakness in its share price".

Last week, Ratners' shares dropped sharply as bears hit the market following a minor credit downgrading by Moody's rating agency.

Yesterday the shares fell another 11p to 81p as a line of stock was placed at 82p.

Last Thursday, Ratners' shares stood at 104p.

The group said it had experienced some encouraging signs in sales trends over the past 10 days both in the UK and the US.

"With Christmas accounting for such a significant element in the company's annual results, the group considers that it is premature to make any radical changes to expectations for the outcome for the year," it added.

Polly Peck administrators and creditors gear up for legal action

By David Barchard

THE ADMINISTRATORS and creditors of Polly Peck International, the fruit and electronics group which went into administration last year with debts of £1.3bn, are preparing for possible legal action.

Mr Michael Jordan of Cork Gully, the senior Polly Peck administrator, said yesterday that a three-member committee of creditors is to be set up to work with Mr Christopher Morris of Touche Ross, over possible litigation.

He did not indicate what action was being considered, but Mr Morris' terms of reference as an administrator include possible litigation against directors of the company.

The composition of the three-man committee has yet to be decided.

Meanwhile a committee of creditors yesterday unanimously approved plans to float PPI Del Monte on the New York Stock Exchange early next year, so deferring the possibility that the group would be put into liquidation in the near future.

Announcing the PPI Del Monte flotation, Mr Jordan said that the creditors had fully discussed all the alternatives, including bids from other companies to buy Polly Peck's fresh fruit operation.

He said that at the moment the administrators did not know how much cash was likely to be raised by an initial public offering of PPI Del Monte.

Though Mr Jordan said he still believed that some kind of reconstructed Polly Peck might eventually survive, he made it clear that the administrators were now much less optimistic about its prospects than they were earlier in the year.

For such an outcome, creditors would have to agree to a voluntary arrangement scheme whereby they would scale down their claims against the group.

Mr Richard Stone of Coopers & Lybrand Deloitte said that there had been very little progress on northern Cyprus, despite months of effort. Last week a court injunction blocking the administrators' access to the Polly Peck's books had been lifted.

"We still have a reticent management there – in terms of gaining access to the past records of the company – which is disappointing," he said.

He added that the administrators were trying to transfer on-going businesses – including hotels – into their control for the benefit of creditors, but said that progress had been slow.

"At the beginning of the administration, it was thought that there was something like £55m or £60m coming out of northern Cyprus. What we have had access to up until now indicates that the current profit stream is no more than £4m or £5m," he said.

Mr Jordan said that there would still be some first-class companies left within the group after the PPI Del Monte flotation. "If all goes according to plan we will be left with what I hope is a valuable asset of 20 per cent of Sansui," Mr Jordan said. "We could be left with a percentage following the flotation of Del Monte."

Mr Jordan held out little hope that Polly Peck's 23,000 shareholders would see any of their money back. "I wouldn't like to hold out any real hope on that at the present time. One would like to think it was possible," he added.

New chairman at Brown Shipley

By Richard Waters

BROWN SHIPLEY, the small merchant banking group which fell into loss last year, has appointed a new chairman and chief executive.

Mr William Dacombe, 57, who takes over on November 1 from Lord Farnham, 60, said he would undertake an immediate strategic review of the group. Brown Shipley's recent expansion into new areas came unstuck when it lost £3.3m last year, largely due to losses in stockbroking and investment management.

Lord Farnham, group chairman since 1976, has been acting chief executive since July, when Mr John Van Kuffeler resigned following the 1990 results.

Mr Dacombe said it was too early to judge what direction Brown Shipley would take, but suggested it had expanded into too many new businesses. He said it appeared from the outside to be "an organisation which has too many pockets and too little change in each of them".

The group has already moved to stem its losses by cutting about £2m of costs from its securities side and cutting salaries there by 30 to 50 per cent, at the same time giving staff a greater share in any profits. Lord Farnham said that this year's strong stock markets had brought the division back to a healthy profit.

Likely to come under review at the group, besides its securities operations, are its corporate finance and loans business. Mr Dacombe was a founder member three years ago of Campbell Lutyens Hudson, the corporate finance boutique, and said he would explore possible links between the firm and Brown Shipley. One option under review is to spin off Brown Shipley's own corporate finance business into the boutique, in which Mr Dacombe remains a director and shareholder.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alexandra Work ......int	1.8	Nov 29	1.8	-	5
Barry Wehmiller ......fin	4.3	Jan 2	4.3	6.7†	6.5
BM ......fin	1.8	Dec 13	1.4	3.4†	2.6
Freeman § ......int	3	Nov 22	3	-	8.5
Johnston Group ......int	4.5	Dec 12	4.5	-	13
Lawrence(Walter)......int	2	Jan 2	2	-	4.5
Ldn & Manchester......int	4.428	Nov 14	4.176	-	13.32
North Brit Can ......int	0.9	Nov 11	0.875*	-	3.0625*
Pegasus § ......fin	8.6	Feb 4	8.6	12.1	12.1
QS ......int	1.45	Dec 3	1.31	-	4.31
S&U Stores ......int	2.2	Nov 22	2	-	8
Savage § ......fin	nil	-	0.5	nil	2
Time Products ......int	2.65	Jan 3	2.65	-	7.25
Walker Greenbank ...int	1.2	Dec 4	1.2	-	3.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 09.10.91 Pool purchase price £/MWh	Final Prices for Trading on 11.09.91 Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.84	16.19	16.19
0100	15.84	16.10	16.10
0130	15.80	16.10	16.10
0200	15.80	16.10	16.16
0230	15.92	16.10	16.10
0300	15.92	16.10	16.10
0330	15.90	16.10	16.10
0400	15.84	16.10	16.10
0430	15.84	16.10	16.10
0500	16.88	16.10	16.10
0530	15.85	15.94	15.94
0600	15.86	15.97	15.97
0630	15.89	16.00	16.00
0700	18.37	19.02	21.35
0730	21.78	19.24	21.65
0800	39.03	22.05	25.30
0830	43.11	24.80	28.22
0900	51.83	30.18	35.00
0930	42.58	32.10	37.38
1000	40.05	32.84	38.01
1030	40.98	32.08	37.35
1100	40.06	31.96	37.23
1130	42.40	34.26	40.11
1200	44.05	35.32	41.40
1230	41.69	33.58	39.14
1300	36.56	29.37	33.93
1330	27.01	23.53	26.94
1400	24.38	22.10	25.11
1430	22.83	21.81	24.48
1500	22.86	21.66	24.41
1530	23.67	24.65	24.65
1600	27.10	22.65	25.86
1630	39.20	26.72	30.64
1700	47.70	26.23	30.30
1730	45.02	26.66	30.44
1800	39.10	23.91	27.00
1830	38.31	19.95	22.41
1900	56.57	19.08	21.40
1930	58.24	19.08	21.44
2000	47.09	22.42	26.02
2030	30.06	20.69	23.30
2100	20.02	23.24	25.90
2130	18.35	22.20	24.72
2200	18.06	19.29	21.65
2230	17.98	19.25	21.57
2300	17.95	19.02	21.34
2330	15.95	18.54	20.85
2400	15.88	16.00	16.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

Barry Wehmiller £13m cash call

By Roland Rudd

BARRY Wehmiller International, the specialist packaging equipment group, yesterday announced a 1-for-4 rights issue at 140p to raise £12.9m as its taxable profits for the year to July 31 fell by 59 per cent.

The group said it needed the cash to meet increased working capital requirements, because of a big restructuring programme, and to take advantage of opportunities to acquire smaller businesses.

The 9.5m new shares are at a 39p discount to yesterday's opening price of 179p; they closed at 166p.

Sales slipped from £77m to £75.3m. However, pre-tax profits slumped from £12.3m to £5m, which the group blamed on a £1.6m loss (£3.56m profit) in the Vision Systems division.

Stewart Brown: over £1m costs taken out

Mr Stewart Brown, chief executive, said the loss was a result of the recession in western economies and a loss of business caused by the turmoil in eastern Europe and the Gulf region. More than £1m of costs have been taken out of the division as part of the rationalisation programme.

The food division made an operating profit of £4.2m (£5.9m), while the general packaging side produced £3.5m (£3.9m).

Earnings per share were 10.1p (27p). The final dividend is 4.3p for a total of 6.7p (6.5p).

Borrowings at the end of September amounted to £10.8m, representing 65 per cent of shareholders' funds. The group said it has a banking facility of £16m.

● COMMENT

Barry Wehmiller's cash call is an opportunistic dash for further growth, while meeting increased working capital on the back of a restructuring programme. The group correctly pointed out that it did not have to ask shareholders' to stump up more money. Since the group has a reputation as a highflyer among engineering and small companies it has reason to be confident that its followers will heed its call. However, there is no guarantee of increased earnings over the next year. The loss at Vision Systems was mainly incurred in the last half; it is expected to take longer than a year to turn it round. Analysts are forecasting pre-tax profits of £6.5m putting the shares on prospective multiple of about 14. That may be too high for some investors to put in more funds.

Depressed UK demand hits Time Products

By Michiyo Nakamoto

HOPES ARE pinned on a Christmas recovery in consumer spending at Time Products, the watch and jewellery distributor which yesterday reported a 42 per cent drop in interim profits to £3.04m pretax from a previous £5.28m.

The group said, however, that there were as yet no signs of any improvement in trade. "I think people are worried about spending at the moment and they are waiting to see what is going to happen," commented Mr Richard Langdon, chairman.

Mr Marcus Margulies, managing director, emphasised, however, that "We are not in the business of selling merchandise, we are in the business of promoting brands."

Although the group distributes to both mass-market and ultra-luxury retailers, its business is moving towards an increasing emphasis on the luxury market. The current make-up is split about 50/50 between the two sectors.

Turnover in the six months to July 31 fell to £19.4m (£26.1m), with demand in the UK particularly depressed. Sales dropped by 31 per cent in the UK and by 13 per cent in Hong Kong, the group's other main market.

Hong Kong was again hit by price-cutting by Japanese competitors and a £115,000 operating profit (£107,000 loss) was only achieved only on the strength of a £200,000 property contribution.

The group continues to manufacture watch movements in Hong Kong but has decided to close its finished watch assembly operations there. The rising cost of labour in Hong Kong made watch assembly uneconomic and business there was declining both in profit-terms and in terms of importance, Mr Langdon said.

Although earnings per share fell to 4.02p (6.7p) the interim dividend is maintained at 2.65p.

Time acquired Apollo Watch Products, which manufactures and supplies watch straps, for £6m last month. The group said the move, which still left it in a net cash position, was "a logical extension" to its existing business.

Brent Walker agrees terms with Smurfit

By Bronwen Maddox

BRENT WALKER, the leisure group, announced late last night that it had agreed but not yet signed the terms of its refinancing with Jefferson Smurfit, the Irish company which is the biggest holder of Brent Walker's convertible bonds after the Walker family.

Holders of the £101.9m of existing bonds would receive a package of three new classes of stock: £7.3m of new ordinary shares, £21.4m of new preference shares, and £73.2m of new convertible stock.

Jefferson Smurfit, which owns £15m of the bonds, and Mr Michael Smurfit, its chairman, who owns a further £10m in his own name, would receive new stock in those proportions.

The company has not yet approached other bondholders with the deal, but needs the approval of 75 per cent. However the company expects to pass that threshold as about 60 per cent, excluding the two Smurfit stakes, approved a previous proposal last month.

The company will ask its bankers to approve the deal in the next few days.

The bonds were issued last year as an interim measure to prop up the company but became almost worthless as the company's financial plight deepened.

Alexandra plunges into loss

By Peggy Hollinger

SHARES IN Alexandra Workwear yesterday fell to 124p, their lowest in more than four years, as the uniform supplier announced an interim loss after exceptional items.

The group, which claims 30 per cent of the UK market, turned down from a £4.1m pretax profit to a £247,000 loss on turnover declining 10.5 per cent to £31.4m for the 28 weeks to August 17. The £1.54m costs of closing one of three factories in Scotland – including about 350 redundancies – were taken above the line.

The shares, which fell more than 10 per cent last month on warnings of the interim result, fell another 3p yesterday.

Mr John Prior, chairman and chief executive, said "trading conditions remain very difficult and there is, as yet, no sign of any significant improvement".

Mr Prior said that following recent rationalisation the factories were operating at peak capacity.

Any increase in orders would be met through outside sourcing. Capital expenditure would be significantly lower than previous years, he said, as the process of introducing a computerised sales and distribution system was now complete.

The interim dividend is maintained at 1.8p, making a retained loss for the first half of £776,000 (profit £1.48m). Losses per share were 0.5p (earnings 8.1p).

● COMMENT

The main message coming out of this group is uncertainty. No one, not even the chairman, is willing to hazard a guess about the full year. Alexandra made the unfortunate mistake of laying out millions in capital expenditure during 1990 and building stock levels just when sales fell through the floor. Debt – at £19.6m – and gearing of 87 per cent are still far too high and have failed to fall significantly despite repeated promises. However, efforts to cut overheads and improved production systems are laudable, if not quick enough. Since Alexandra was late into the downturn – leading some in the City to think, mistakenly, that it was recession proof – it may well be late coming out. Forecasts of about £500,000 and the prospective p/e of 115 make the shares look expensive in the short to medium term, although optimists will say Alexandra is a good recovery stock in the long-term.

Grovewood Securities suspended

By Michiyo Nakamoto

GROVEWOOD Securities, the property and industrial group, has requested the temporary suspension of its listing, pending clarification of its financial position. The shares, which fell from a high this year of 44p on March 27 to 4p on Monday, were suspended at 2p.

The group, which has bank borrowings in excess of £100m, has been in discussion with its bankers. However, it has not been able to reach a resolution in talks with a banking syndicate led by Samuel Montagu.

The company could not be reached yesterday for comment.

Grovewood's assets, which comprise mainly the Langham Estate, were valued at £31.1m in its annual report and accounts to end-September 1990. Pre-tax profits in the half-year to March 31 were up to £723,000 from a previous £8,000.

The group had been hit by a combination of difficulties as it was changing direction from being an industrial holding company to concentrating on property investment.

NEWS DIGEST

Savage maintains margins

SAVAGE GROUP, the USM-traded hardware company which survived a management coup last December, yesterday reported a pre-tax deficit of £115,000 for the year to end-June.

The latest figure, however, included losses of £216,000 from the group's French businesses which were sold in March. Profits from continuing activities amounted to £101,000 after charging an exceptional £647,000 for redundancies and reorganisation – the workforce has been reduced by more than 10 per cent since the halfway stage.

Directors said that the UK operations had maintained gross margins despite reduced turnover. Sales in Germany were up 13 per cent, but profitability on the Continent would not be achieved for some months.

Interest charges were lower at £4.09m (£4.37m); the current year would see a further contraction reflecting the proceeds of the French disposals and planned reductions in stock levels.

Gearing fell from 96 per cent to 45 per cent over the year as net borrowings were cut to £7.8m (£26.8m).

Overall turnover declined to £123.9m (£129.9m). Losses per share emerged at 5.4p (4.8p) and there is no dividend for the year (2p).

Walker Greenbank falls by 32%

Pre-tax profit at Walker Greenbank, the commercial wallcoverings group, fell 32 per cent from £4.05m to £2.76m in the half-year ended July 31.

Turnover of the core activities declined 5 per cent to £27.4m (£28.9m), although total turnover was down from £42.5m to £30.4m following the disposal programme last year.

However, sales volumes bottomed out in July and there had been a slight improvement in activity.

Brymor, acquired in February, had made a better than expected contribution to profits in spite of the recessionary downturn.

Earnings per share came to 2.06p (3.01p); the interim dividend is held at 1.2p.

In June the group initiated a substantial restructuring and reorganisation programme within the core businesses.

The group was making its first acquisition in continental Europe by purchasing Mim-Japico for about £1.5m. This distributor of domestic wallcoverings operates in Germany and France, and provides distribution for the Harlequin and Zoffany ranges in Europe's two most important markets.

MCC clarification over sale to Reed

Maxwell Communication Corporation yesterday issued a clarification on the apparent discrepancies in the book value of the directory businesses sold on Monday to Reed International.

Reed was working to a book value of $158m (£90.8m) whereas Mr Robert Maxwell, MCC chairman, said the book value was about $130m, thereby giving MCC a trading profit of $15m.

MCC said yesterday that the book value of the assets, which included Who's Who in America, was indeed $130m under UK accountancy rules but $158m under US rules. The treatment of goodwill in the two countries accounted for the difference.

The money received from Reed for the sale was $146m, of which about $1m was for transition services. No capital gains tax was paid on the transaction because Macmillan, the owner of the directory businesses involved, had adequate capital losses.

Marginal advance at S&U Stores

"Remarkably good" first-half results were reported by S&U Stores, the household goods, financial services and hosiery group.

In the six months to July 31 turnover rose from £23m to £23.5m and pre-tax profit was marginally ahead to £1.69m (£1.68m).

Earnings per share were 10.83p (10.55p) and the interim dividend goes up to 2.2p (2p).

Mr Derek Coombs, chairman, said the figures reflected the efficiency in financial services where the credit/risk ratio was "envied by our competitors".

Walter Lawrence down to £2.35m

Recession in the UK housing market continued to affect Walter Lawrence, the builders, with interim pre-tax profits down from £3.54m to £2.35m. Turnover was cut from £120m to £99.7m.

Although UK sales were lower – 330 units were sold in the six months to June 30 this year against 356 last time – price reductions on properties in its now wholly-owned California-based West Venture subsidiary enabled a sales increase from 151 to 194 units. However, the operation still incurred a small loss.

The company warned that although there were signs that the California housing market was improving, there were no such signs in the UK. The second half was likely to be as difficult as the first.

A much smaller tax charge of £134,000 (£1.39m) and the lack of minorities compared with £665,000 last time left earnings per share ahead at 4.4p (2.9p). The interim dividend is maintained at 2p.

Johnston Group dives to £1.25m

"Very difficult trading conditions in the property and engineering businesses" were reflected in the interim pre-tax profits fall from £2.84m to £1.25m at Johnston Group, the specialist civil and mechanical engineer.

Profits for the six months to June 30 were struck on turnover £1.06m ahead at £58.3m. However, Mr Graham Johnston, chairman, revealed that group sales had in fact declined, but that the fall was masked by the inclusion of the results of the recently acquired Australian subsidiary.

Earnings dropped to 5.22p (14.67p) per share but the interim dividend is held at 4.5p.

Freeman tumbles to £62,000 deficit

Losses from a number of since-discontinued contracting activities pushed Freeman Group into losses of £62,000 for the first half of 1991.

But the USM-quoted insulation materials distribution and contracting services specialist stands by its earlier statement that it will show a pre-tax profit in the second half.

Turnover was ahead from £36.6m to £40m, but the group moved into the red after £455,000 losses on discontinued activities. Previously, those activities accounted for £172,000 of a total £1.23m profit.

There were also extraordinary charges of £1.22m. Losses per share came to 0.9p (earnings 13p) but the interim dividend is unchanged at 3p.

Pegasus loses height as recession bites

The "unprecedented recession in the information technology marketplace" put taxable profits at Pegasus Group in a spin, dropping from £2.55m to £1.67m, in the year to July 31.

The result was struck on turnover down at £8.49m (£13m).

Mr Derek Moon, chief executive of this USM-quoted computer services group, said that, with the number of new product launches and the general economic recession, it was difficult to predict current levels of profitability.

Profits were adversely affected by an increase in interest payable at £312,000 (£209,000) and an exceptional charge of £179,000 relating to redundancy and reorganisation costs.

Earnings worked through at 19.9p (30.4p) per share and the final dividend is maintained at 8.6p for an unchanged 12.1p total.

Resilient first half performance by QS

QS Holdings, the clothing retailer, held its pre-tax profit at £3.61m in the half year to July 26, a "resilient" result despite the poor summer.

Turnover was down slightly at £20.4m (£21.2m) but a tight rein was kept on costs. Earnings per share were 6.07p (5.93p) and the interim dividend is increased to 1.45p (1.31p).

The group operates from 72 stores in the south of England selling mainly women's and children's wear. New stores were opened at Newbury and Salisbury, and relocation to larger premises were carried out in Farnham and Walton-on-Thames.

Mr Nigel Tibbles, chairman, is retiring at the end of the month. Mr Marc Walters will replace him.

NMW Computers ahead at £278,000

A programme of investment and restructuring helped NMW Computers to an increased profit for the half year to June 30, up from £210,000 to £278,000 after a £106,000 exceptional compensation payment to a former director.

Turnover was ahead at £4.98m (£4.42m).

Charterhouse Group, a software house specialising in debt recovery and the Lloyds insurance market which the company acquired in May, has been fully merged and the company is now looking for further acquisitions.

Earnings per share came out at 0.9p (0.6p) and the interim dividend has again been passed.

Trafalgar House sale approved by OFT

Sir Gordon Borrie, director general of the Office of Fair Trading, has approved the sale by Trafalgar House to Tarmac Construction of the Expanded Piling Company.

On July 25, Mr Peter Lilley, the trade and industry secretary, announced that the acquisition of Davy Corporation by Trafalgar House would be referred to the Monopolies and Mergers Commission because of the adverse effects on competition in the large diameter bored piling market in the UK, unless Trafalgar disposed of all its interests in Expanded's large diameter piling activities within 18 months.

Tarmac's acquisition of Expanded meets Mr Lilley's requirement.

N British Canadian net assets higher

North British Canadian Investment, the small companies trust managed by 3i Portfolio Management, reported net asset value of 103.4p at August 31 compared with an adjusted 89p reported 12 months earlier.

Net revenue for the six months to end-August was £462,000 (£419,000) for earnings per share of 1.71p (1.55p).

The interim dividend is lifted from 0.87p to 0.9p.

Children's Medical pays charity £13,000

Net asset value at Children's Medical Charity Investment Trust fell to 84.3p at June 30, compared with 95p a year earlier.

Net revenue for the half year to end-June was down from £27,200 to £16,400 and total assets stood at £843,000 (£950,000).

The net income which will be paid to the Children's Medical charity is £13,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Austin Reed, Havelock Europa, Helical Bar, Lendu Holdings, Martin Currie Pacific Trust.

Finals- Allied Leisure, Meunders (John), Sinclair (William).

FUTURE DATES

Interims-	
Brown (N)	Oct. 15
Chepstow Racecourse	Oct. 17
Densitron Intl	Oct. 22
Lilley	Oct. 18
Palma	Oct. 14
600	Nov. 14
Usborne	Oct. 29
Finals-	
Clydesdale Inv Trust	Oct. 21
Euromoney Publications	Nov. 14
Lucas Industries	Oct. 14
McKechnie	Oct. 22

BUSINESS AND THE ENVIRONMENT

Scaling the Earth Summit

Latin American businessmen are meeting in Rio de Janeiro this week in an attempt to hammer out a regional position for the Earth Summit, the world environment conference which will take place next June.

Organised by the Business Council For Sustainable Development, this week's meeting represents a considerable breakthrough in a region which has traditionally seen concern for the environment as a luxury only the first world can afford.

Although questions of sustainable development are vital for Latin America, which contains 60 per cent of the world's tropical forests, they have been put on the backburner because of the region's economic crisis.

Not surprisingly the conference is focusing more on social problems such as poverty, unemployment and narcotics trafficking, with an underlying current that the first world is the real enemy of the environment.

Marcio Fortes, a leading Brazilian businessman and organiser of the conference, says Latin America shares the developed world's concern on environmental matters but has different priorities: "For the first world the most important environment questions are the greenhouse effect, destruction of the ozone layer and biodiversity. For the third world it is poverty, urban concentration, inequitable distribution of wealth."

Boris Tabacof, president of the Brazilian Association of Cellulose Exporters, pointed out that Latin American business is already having to fill a gap left by government in providing social facilities: "When we build a new factory outside a city we have to bring in water supply, build schools and clinics and create all the infrastructure before we can even start thinking of environmental protection measures."

But companies in the region, particularly multinationals, are starting to take the issue seriously. "Five years ago this meeting would never have been possible," said Luiz Gonzaga of Union Carbide Brazil.

Christina Lamb

Quicksilver flows in the jungle

Christina Lamb visits an Amazonian goldfield where high levels of mercury are a threat to life

From the skies above the Patrocinio airstrip in the heart of the Tapajos goldfield, the environmental damage is as visible as if a series of bombs had fallen on the centre of the Amazon jungle.

Large craters scar the landscape where thousands of men are hard at work using bare hands, picks or Heath Robinson-type devices to search out the precious metal. On the horizon, smoke rises as centuries-old trees are burnt to clear land for more mines or for growing food. The air is rent with the sound of saws cutting logs to build huts for the fortune-seekers who arrive daily.

Garimpeiros, or informal goldminers, have long been the bane of ecologists because of the damage they wreak to the forest and the diseases like malaria they bring to the region.

But the real threat posed by the garimpeiros is more deadly. The profligate quantities of mercury they use in separating and cleaning the gold is highly polluting and has already reached alarming levels in the peoples and waterways of the world's largest tropical forest.

On the basis of mounting evidence scientists fear that wide-scale mercury contamination will damage the Amazon's delicate ecosystem and prove a potential killer to its 10m population. Comparisons are already being made with the world's worst case of mass mercury poisoning – that of Minamata, a Japanese town where mercury dumped into the bay by a chemical factory became lodged in fish and was ingested by local inhabitants.

First noticed there in the 1950s when cats started going mad and jumping into the bay, mercury poisoning became known as cat-dancing disease. Hundreds of people died.

The Amazon could be facing an even worse nightmare. An estimated 2,000 tonnes of mercury – three times more than that dumped in Minamata – has been dumped in the region since the 1950s when prospecting began at Tapajos. Most of this has occurred since 1979 when the present Amazonian goldrush was sparked off by spiralling gold prices.

Tapajos is just one of five Amazonian regions into which thousands of young men from the drought-stricken northeast arrived to search for gold. In the past 12 years garimpeiros have been responsible for more than 80 per cent of Brazil's gold production.

The garimpeiros are responsible for more than 80 per cent of Brazil's gold production

According to figures from the National Mining Department (DNPM), garimpeiros have produced 383 tonnes in the last five years. Although the price of gold is now well below the 1980 peak of $850 (£500) per ounce, an estimated 500,000 garimpeiros remain in Amazonia.

The goldminers are using mercury at a rate of 1.3kg per kilo of gold. DNPM officials believe 1,200 tonnes of mercury have been dumped in the last 12 years, building up in the soil, rivers and lakes. "It's a time-bomb," says Peter Rich, a gold expert.

The mercury is used to separate the gold from river sludge. Heavy sand containing grains of gold is poured into a bucket containing mercury which amalgamates with the gold to form a heavy alloy, allowing the lighter material to be poured off. The alloy is then put into a cloth and squeezed, the free mercury oozing out. The remaining mixture of gold and mercury is heated with a blowtorch to burn off the mercury; the vapour escapes into the atmosphere.

It is brought down by rain and transformed into a deadly organic compound, methyl mercury, a hundred times more toxic than the metal. This is absorbed into plants or soil and rivers where it lodges in fish and is ultimately ingested by man, where it attacks the nervous system.

Those at risk are not just the garimpeiros who often use the same torch for heating gold and cooking or the gold buyers who carry out a further burning to ensure purity, but also the people living along the river and its tributaries, whose basic diet is fish. Wolfgang Pfeiffer, who heads research at the Federal University of Rio de Janeiro, has found that deposits can reach distances of 800km from the origin.

The first registered case of mercury poisoning in the Amazon was in 1986 by Fernando Branches, a heart specialist in Santarem, 150 km north of Tapajos. The victim was a gold burner who had burnt an estimated 30 kg of gold. Branches went into the garimpos (mining areas) and was horrified by what he saw: "There was mercury in kitchens, on bar counters, dumped into the river, on people's hands or escaping as vapour." By 1989 he was dealing with 20 cases and today has 132.

In a recent series of tests Branches found that mercury levels in the hair and urine of people in river communities located far from goldmining areas was up to 20 times above the safe maximum. "My studies suggest thousands and thousands are affected. It's not just people but flora and fauna. We're witnessing the demise of the world's largest rain system," he warns.

Also at risk are inhabitants of towns where gold is burnt. One patient, Antonio Ferreira, lives above a goldshop in Santarem. He regularly sat on the balcony and breathed in mercury fumes. When he first reported symptoms in 1982 Branches had no idea of the cause. Only when Ferreira went into a coma in 1987 and was sent to São Paulo was mercury contamination discovered.

The toxic properties of mercury have been known since the middle ages when it was used to extract silver. Symptoms include headaches, weakness, forgetfulness, impotence, hair loss, impaired vision, trembling and eventually madness and death.

The exact scale of the danger in the Amazon is hard to estimate. So far there have been no known deaths. Branches is one of a handful of doctors who are familiar with the problem but the symptoms are often confused with malaria, which is endemic in the region.

Most garimpeiros refuse to acknowledge the danger, fearing ecologists might use it to evict them from the region. Ana Luiza Montenegro, co-ordinator of the Goldmine Foundation, points out that garimpeiro mining is a billion-dollar business which provides direct and indirect employment to 3m people who, if driven out of the forest, would add to the swelling populations in Brazil's major cities. "They're not there because they like it – they have no option," she says.

Aside from miners there are pilots, merchants, mechanics and gold-buyers. Garimpeiro operations use 750 aircraft, 20 helicopters and 10,000 small boats. They are Brazil's main consumer of pumps and hosepipes.

Since March 1989 the use of mercury by garimpeiros has been illegal. But they will not stop using it because it is cheap and efficient. At least half of the 337 tonnes imported in 1989, mostly from the Netherlands, Germany and the UK, is believed to have been used by garimpeiros.

But a solution is available. Backed by the Goldmine Foundation, Pfeiffer's team at the Federal University of Rio de Janeiro has designed a simple retort for gold cleaning which retains 96 per cent of the mercury. Montenegro is trying to raise $50m to provide 50,000 retorts, the use of which she says would reduce pollution by 50 tonnes per year. The foundation was set up by Banco Goldmine which, as the biggest buyer of garimpo gold, has an interest in resolving the problem.

Despite the simplicity of the solution a difficult task remains. The problem lies not only in finding financing in Brazil's current economic climate but in persuading the mainly illiterate garimpeiros to use the retorts. Branches is sceptical of the project succeeding before a tragedy occurs: "They just don't understand the risks involved – all they see is the gold."

Industry's last chance to catch EC directives

By Richard Lapper

Time is running out for European business if it is to influence the continent's future environmental legal regime, warned London law firm Davies Arnold Cooper in a report* last week.

"From the company director of a steelworks to the chairman of a bank, no one can escape the incoming tide of environmental legislation," says Gordon Humphreys, an environment specialist at the firm.

"The manufacturing, transportation, finance, insurance and service sectors are all at risk if they choose to ignore warnings now emanating from Brussels," he adds.

The shape of the legal framework that will govern industry's environmental responsibilities in the 21st century is becoming clearer following the completion in the summer of a new draft of the EC's Directive for Civil Liability for Damage caused by Waste – the centrepiece of the European legal regime.

The draft, which has now been submitted to the European Parliament and Council, could become law as early as the end of next year.

The path to approval has been eased by a recent European court ruling which means that within the Council only a qualified majority (54 out of 76) rather than unanimity is necessary for approval of environmental initiatives.

The new draft of the framework reflects the influence of two legal principles which underpin the US legal framework: strict liability – which means that the plaintiff does not have to prove either negligence or causation on the part of the defendant; and "the polluter pays" – the idea that the perpetrator of pollution pays for any environmental damage. Humphreys describes the parallels between the two systems as "frightening".

Moreover, the latest draft has a number of other features which should be of concern to business, says Humphreys.

- It extends primary liability to carriers as well as producers of waste.
- It increases the powers available to so-called public interest groups such as Greenpeace and Friends of the Earth which make it easier for them to take legal action.

"The net effect of these factors is likely to mean a sharp increase in legal actions against environmentally sensitive operators," says Humphreys.

The draft also argues in favour of compulsory environmental insurance, bonding or financial guarantee arrangements – a recommendation which had potentially far-reaching implications for the UK insurance industry in particular which has run scared of offering environmental cover following its heavy losses in the US.

The commission has been heavily influenced by developments in France, Italy and the Netherlands where insurers have provided pooled insurance schemes.

However, despite this it is not too late for industry to make its voice heard. UK insurers should also play a more active role in discussions over environmental cover – as well as prompt examination of alternative compensation schemes involving government funding. If they do not they may find themselves "dragooned" into offering cover, suggests Humphreys.

This is also the case in view of the vague nature of the draft's proposals in some of these areas and ambiguities, particularly in the controversial area of whether industry should be retroactively liable for pollution damage.

The directive's wording is somewhat hazy on this issue – but Greenpeace and certain other environmental pressure groups are lobbying Brussels to make it clear that the draft directive is retroactive and would cover old pollution.

**Clean-up or Close up: Environmental Compliance in Europe. Available from Davies Arnold Cooper, 6-8 Bouverie Street, London EC4Y 8DD.*

COMMODITIES AND AGRICULTURE

Soviet domestic oil price to quadruple next year

By **Leyla Boulton** in Moscow

RUSSIA plans to more than quadruple the domestic price of oil from next year to try to reverse a slump in production in the state-owned industry.

Mr Lev Churilov, the Soviet oil minister, said yesterday that he and the Russian government were preparing to raise the price of oil from its current low level of Rbs70 a tonne to Rbs300-Rbs350, as part of a gradual move to free prices. This price would apply to oil supplied under state orders, while enterprises would be allowed to sell 30 per cent of their output at free market prices.

The minister also said that as part of a transfer of power to Soviet republics, his ministry would be disbanded at the end of the year to make way for republican-owned oil corporations.

These would include a Russian Oil and Gas Corporation, which has just been set up and which he would head. Plans were underway to create similar state companies in Kazakhstan and other oil-producing republics, he added.

Mr Churilov said that oil export revenues would in future go to the republics, rather than central state coffers, and that enterprises would pay a turnover tax to state budgets. But he said the corporations would remain in republican hands for the time being. "We will look into privatisation next year", he said.

Russia accounts for 90 per cent of Soviet oil output – which Mr Churilov said he expected to fall to 550m tonnes this year, from 570m last year.

Mr Churilov said the low domestic price was an important reason for the industry's crisis, because it deprived enterprises of any initiative to invest in new wells or repair ailing equipment. The industry is currently subsidised to the tune of Rbs19bn. He added that attempts were under way to attract foreign capital investment, but that only $16m so far had been forthcoming.

Foreign companies which brought in new equipment were entitled to the profits from any additional output which resulted, Mr Churilov said. Officials are promising 1920s-style concessions for foreign investors in key sectors, such as oil and mining, but detailed terms have yet to be revealed. Deals for the joint exploitation of oil fields are also being negotiated with foreign companies in various republics.

Farmers face up to life after the collective

Once self-sufficient in food, Albania needs western aid this winter. **Kerin Hope** reports

At the open-air market in Tirana, the Albanian capital, crowds gather around wicker baskets brimming with tomatoes, peppers and peaches. Across the street, the state-owned fruit and vegetable store has only onions for sale.

However, most of the produce sold on the street is grown not on private plots, but on holdings belonging to the farm co-operatives, the basis of Albanian agriculture since land was fully collectivised after 1956.

Some crops, such as tomatoes and cucumbers, were cultivated solely for export, or to supply the few hotels catering to foreign tourists, while the remainder were intended for distribution and sale by the state. But in the absence of a clear government policy on privatisation of land, Albanian farmers took the law into their own hands.

Thousands of farm workers joined the exodus of Albanians to Greece and Italy earlier this year. Then, in April, the communist government granted each village family the use of up to one quarter-hectare of co-operative land, together with a share of its livestock.

This move only whetted the appetites of co-operative farm workers used to a daily wage of 15 leks ($2), low even by Albanian standards. Theft of crops grown on co-operatives for sale privately became so widespread that in many districts, co-operative holdings were divided without waiting for official permission.

"Our maize and vegetable plantations were being seriously damaged by the stealing. So we decided the best thing to do was to share out that land right away", says Mr Ramazan Sinani, chairman of the Peza co-operative farm, which spreads across 950 hectares of hilly countryside about 20km from Tirana.

Yannis Kabouris

Albanian goat herder: farmers began sharing out livestock

The same applied to the farm's 1,300 cows and 12,000 sheep and goats. Some were immediately sold for slaughter, but most families in the nine villages in the Peza co-operative now keep a milking cow and a dozen sheep on their newly acquired land.

According to official estimates, agricultural output declined by a disastrous 55 per cent in the first half of 1991. Grain production this year was down by more than 60 per cent, tobacco – the main export crop – by 80 per cent and maize by 50 per cent. As a result, Albania will be heavily dependent on western food aid for the coming winter.

The co-operative farms underpinned the country's claim to self-reliance in food production during 45 years of self-imposed isolation, employing more than 40 per cent of the workforce. Another 15 per cent work on state-owned farms, which are fewer in number but more efficiently run.

While the co-operatives mainly supplied local towns, state farms also exported, sending pork, poultry and greenhouse-grown fruit and vegetables to eastern Europe.

In its early years, collectivisation improved yields as mechanisation was introduced and large tracts of land were drained, irrigated or terraced, doubling the area under cultivation to around 1.1m hectares.

However, an ideologically-driven decision in 1981 to collectivise all livestock helped precipitate a crisis: meat and milk production fell sharply, bringing severe shortages throughout the country. Each family, regardless of size, is still restricted to a weekly meat ration of one kilogram.

Independent experts estimate that agricultural output grew by less than 3 per cent annually throughout the 1980s, insufficient to sustain Albania's rapidly growing population (the country has the highest birth rate in Europe). A recent drive to increase agricultural exports, thought to account for about 25 per cent of total exports, also meant worse shortages for local consumers.

A devastating drought in 1988-90 finally prompted the government to begin decentralising agriculture on a limited scale and revise its livestock policy. A large number of sheep and cattle were imported with the aim of encouraging stockbreeding in small units on the co-operatives.

Now, as Albania makes a slow transition from communism to democracy, the present national unity government has passed a law privatising the co-operatives. All holdings are to be parcelled out among the villagers, on the basis of family size. The distribution, being organised by five-man committees in each village, will take into account the unofficial hand-outs already made, but not the boundaries of pre-communist days. Villagers who have already emigrated will still be eligible for their share, though no land can be sold for at the next three years.

However, according to the law, only 40 per cent of land belonging to the state farms will be shared out among farm workers. Mr Gramoz Pashko, the deputy prime minister and architect of the plan, is promising price subsidies for growers of vital crops like grain and tobacco.

But in its anxiety to privatise, the government seems to have ignored other handicaps to cultivating cereals: the appalling state of farm machinery, much of it dating from the 1960s, and the decision to stop providing fertilisers free of charge. "Who's got the money to rent the tractors, even if spare parts can be found to get them going again? And how will we get the fertiliser out here, if we have no transport?" asks Mr Vasil Steriopulli, the agronomist at Peza.

The villagers are already worried that they will receive less than viable holdings when the co-operative's land is divided among 1,400 families.

"Three to four hectares is what you need to feed a family around here. With only about three-quarters of a hectare available at Peza, I'm afraid that many young people will have to leave and join the unemployed in the towns", Mr Sinani says.

Copper industry 'faces smelting bottlenecks'

By **Kenneth Gooding**, Mining Correspondent

THE copper industry faces bottlenecks in smelting capacity during the first half of the 1990s, the Rudolf Wolff commodities trading group warns today.

A sharp rise in mine output is not being matched by smelter developments, Wolff's analyst Mr William Adams says in a special report on traded metal markets.

The report says mine output will increase by 6.25 per cent this year to 7.65m tonnes and by another 3 per cent in 1992, well ahead of the average 2.5 per cent in each of the five years to 1990.

This will result in an additional 840,000 tonnes of copper concentrates (an intermediate material containing about 40 per cent copper) reaching the market between 1990 and 1992, says Mr Adams.

Smelters have already lifted their combined treatment and refining charges to the mines from a low of 10 cents a lb in the mid-1980s to 30 cents.

Mr Adams suggests that the concentrate surplus will not be eliminated until the second half of the 1990s, after which smelting capacity will catch up.

However, output of refined copper this year is forecast to reach 8.78m tonnes (up from 8.6m tonnes last year) while

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+12675	to 726,200
Copper	−2025	to 302,800
Lead	−200	to 100,925
Nickel	−378	to 8,598
Zinc	−800	to 150,050
Tin	−160	to 13,685

consumption is predicted to fall to 8.8m tonnes (from 8.91 tonnes), the Wolff report forecasts.

This would give a supply surplus of 230,000 tonnes (10,000 tonnes).

Mr Adams predicts that next year the surplus will shrink to 50,000 tonnes, with refined output up to 8.93m tonnes and consumption rising even more sharply to 9.15m tonnes.

He suggests that three-month copper prices on the London Metal Exchange will this year hold above US$1 a lb, while the average for 1992 should be about US$1.08.

Coconut oil prices seen staying buoyant

EUROPEAN coconut oil prices, which this week bounced above $500 a tonne to a new peak for 1991, are likely to remain high, Reuters reports from London.

"Large consumers in the US and Europe bought hand to mouth and still need a lot of cover," a London-based dealer said. "With this week's price run-up their courage might fail and they could come in and buy."

Fears about Philippine copra supplies and shrinking coconut oil stocks in Europe caused prices to surge.

October/November coconut oil was offered yesterday at $515 a tonne cif Europe, unchanged from Monday but up $45 from a week ago.

Drought, typhoons and the eruption of Mount Pinatubo have hit Philippines copra output, which is expected to fall to 2.1m tonnes in 1991 from 2.5m last year, the Philippine United Coconut Association forecast.

However, dealers say that output could fall below 2m tonnes.

Caribbean sugar exports hit by lower US quotas

By **Canute James** in Kingston

EARNINGS for Caribbean sugar exporters from shipments to the US will fall by US$69m compared to the past quota year because of the reduction in US import quotas for 1991-1992.

The Caribbean producers – the Dominican Republic, Belize, Haiti, Jamaica, St Kitts-Nevis, Barbados, Trinidad and Tobago, and Guyana – have had their cumulative quota reduced to 310,495 tonnes, 161,215 tonnes less than in 1990-1991.

Despite this, Mr Frank Downie, executive chairman of the Sugar Industry Authority of Jamaica, said that "the reduction is not a disaster as last year's quotas for the region were revised because of production shortfalls by domestic US producers."

However, the new quota reductions for Caribbean exporters, announced by the US Department of Agriculture, are not uniform.

The Dominican Republic's has been cut by 35 per cent, as have those for Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago. Haiti and St Kitts-Nevis have been cut by 9.6 per cent.

The Dominican Republic remains the region's largest supplier, with access for 232,555 tonnes. Guyana will be able to ship 15,856 tonnes, while Belize and Jamaica have each been allocated 14,535 tonnes.

Barbados and Trinidad and Tobago have 9,249 tonnes each, while Haiti and St Kitts-Nevis each have access for 7,258 tonnes.

The reduced quotas have been implemented despite an appeal from the Caribbean producers three months ago to the US administration, that sugar import quotas not be reduced.

PNG considers tax incentives to increase mineral investments

By **Kevin Brown** in Sydney

PAPUA New Guinea (PNG) is considering an increase in tax incentives to encourage inward investment in mineral resources, Mr Rabbie Namaliu, the prime minister, said yesterday.

Proposals being considered by the cabinet would allow 100 per cent deductions from corporate income tax for investment in infrastructure projects, Mr Namaliu said.

To qualify, projects would have to benefit the "broad base" of the local community or province, he told a taxation summit in Port Moresby.

Mr Namaliu said deductions would be limited to a ceiling, still to be worked out.

However, he gave no further details of the proposals, which could be implemented in next month's Budget.

The scheme is an attempt to encourage investment in projects which would directly benefit local landowner groups, some of which have obstructed resources projects approved by the central government.

Mr Namaliu said PNG could only develop its mineral resources with foreign capital, although he acknowledged that discontent among landowners was one of the biggest obstacles faced by overseas investors.

The most serious problems have occurred on the island of Bougainville, in PNG's North Solomons province, where a campaign by some landowners against a copper mine grew into a bloody civil war.

The mine, run by CRA, a 49 per cent subsidiary of RTZ of the UK, was closed after repeated attacks by the Bougainville Revolutionary Army (BRA), which later declared the island independent.

PNG officials were due to meet BRA representatives yesterday for a third round of peace talks, following two inconclusive meetings.

However, the talks were cancelled after the BRA said they should take place in Auckland, New Zealand, or another neutral country.

Mr Namaliu said the government was committed to the resumption of talks, but insisted they must be held on PNG territory.

The two sides have accused each other of breaking a partial agreement signed in Honiara, capital of the Solomon Islands, in January.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.00-2.50 (2.10-2.70).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 18.50-19.10 (17.50-19.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 70-90 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.23-2.28 (2.25-2.28).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.20-2.35 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Gold came under pressure in London from heavy option-related selling of silver, despite a generally bullish chart outlook. Fundamentally the market continues to focus on apparently dwindling Soviet gold reserves. The Soviet Union is to reveal in the next few days how much gold it has left, according to acting Prime Minister Ivan Silayev. On Comex the most active December contract was maintaining support at $360 a fine ounce at midday. Silver closed in London near the day's low of 407 cents a fine ounce. Comex silver prices were sharply down at midday on selling by commission houses and local traders. Nymex platinum prices were easier at midday as both industrial and precious metals came under pressure from a White House statement that the US was recovering only slowly from the recession. On the LME three-month copper showed little sign of breaking out of its recent $2,280 to $2,330 a tonne range, dealers said. News that LME stocks fell by 2,025 tonnes and option-related buying this morning underpinned sentiment. An unexpected 800-tonne fall in LME zinc stocks after further shipments out of Baltimore gave the market a small boost in the morning, but there was no follow through interest.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.45-8.55z	-.075
Brent Blend (dated)	$21.85-2.10	+.075
Brent Blend (Nov)	$21.60-1.70	
W.T.I. (1 pm est)	$22.80-2.90z	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$232-234	-1.5
Gas Oil	$216-217	+1.5
Heavy Fuel Oil	$74-76	-1
Naphtha	$222-226	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$358.05	-1.55
Silver (per troy oz)♣	408.0c	-6.0
Platinum (per troy oz)	$355.25	-2.55
Palladium (per troy oz)	$83.0	-1.1
Copper (US Producer)	111.0c	-1.0
Lead (US Producer)	38.0c	
Tin (Kuala Lumpur market)	14.81r	-0.04
Tin (New York)	256.0c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	101.95p	-0.11*
Sheep (dead weight)†	110.41p	-3.90*
Pigs (live weight)†	72.70p	-2.24*
London daily sugar (raw)	$234.8j	+2.2
London daily sugar (white)	$267.5j	+1.3
Tate and Lyle export price	£244.5	+2.0
Barley (English feed)	£116.5	
Maize (US No. 3 yellow)	£141u	
Wheat (US Dark Northern)	£101u	
Rubber (Nov)♥	53.25p	+0.25
Rubber (Dec)♥	53.75p	+0.25
Rubber (KL RSS No 1 Nov)	228.0m	+1.5
Coconut oil (Philippines)§	$420y	
Palm Oil (Malaysian)§	$345z	+2.5
Copra (Philippines)§	$335j	+25
Soyabeans (US)	£155	-1
Cotton "A" index	66.45c	-0.35
Wooltops (64s Super)	335p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct/Dec t-Sep/Dec u-Oct x-Sep/Oct y-Nov/Dec z-Nov j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §C/F Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	185.00	-	185.00
Mar	185.40	187.40	188.20 184.80
White	**Close**	**Previous**	**High/Low**
Dec	280.9	283.3	283.0 280.5
Mar	280.4	282.0	282.0 279.5
May	279.2	280.5	279.9 278.0
Aug	280.0	281.5	280.5 278.0
Oct	261.5	263.0	262.5 260.5
Dec	259.5	262.0	259.8

Turnover: Raw 347 (110) lots of 50 tonnes. White 1016 (1161)
Paris- White (FFr per tonne): Dec 1623, Mar 1635

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Nov	21.74	21.88	21.77 21.65
Dec	21.47	21.43	21.50 21.29
Jan	21.15	21.20	21.21 21.05
Feb	20.88	20.90	21.00 20.85
Mar	20.70	20.50	20.70 20.54
IPE Index	21.45	21.45	21.45

Turnover 20000 (19366)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	211.75	210.75	212.50 210.00
Nov	213.00	211.75	213.50 211.25
Dec	213.00	212.25	213.50 211.75
Jan	211.00	210.25	211.50 209.75
Feb	205.00	203.50	205.25 205.00
Mar	197.00	198.00	198.75 196.75
Apr	190.50	190.00	190.50 190.50
Jun	180.00	180.00	180.50 180.00

Turnover 20450 (14405) lots of 100 tonnes

JUTE
October/November c and f Dundee BTC $405, BWC $415, BTD $370, BWD $380; c and f Antwerp BTC $380, BWC $375, BTD $355, BWD $350.

COTTON
Liverpool- Spot and shipment sales in Liverpool for the week ending October 4 amounted to 212 tonnes against 195 tonnes in the previous week. Fair trading developed mostly in Malawi, Columbian and Russian qualities.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	787	789	790 778
Mar	826	829	829 816
May	845	848	849 839
Jul	868	870	870 862
Sep	886	890	889 879
Dec	911	912	912 905
Mar	935	937	936 931
May	953	956	963
Sep	990		988

Turnover: 4114 (3231) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 7 993.93 (987.74) 10 day average for Oct. 8 958.83 (954.11)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	497	484	497 488
Jan	520	507	520 514
Mar	538	526	537 532

Turnover: 1829 (1825) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 7 : Comp. daily 60.88 (60.79) 15 day average 64.35 (64.60)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	131.0	128.5	131.0 128.5
May	145.0	147.0	147.0

Turnover 271 (82) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	137.50	136.00	

Turnover 0 (10) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1673	1670	1685 1675
Nov	1744	1730	1737 1730
Dec	1740	1730	1735 1730
Jan	1746	1733	1747 1740
Apr	1748		1746 1740
Jul	1511		1515 1510
BFI	1563	1558	1563

Turnover 169 (67)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	117.60	117.65	117.50
Jan	121.25	121.25	121.25 121.00
Mar	124.15	124.25	124.10
May	127.10		127.00
Barley	**Close**	**Previous**	**High/Low**
Nov	113.25	113.20	113.25
Jan	117.25	117.20	117.25 117.20

Turnover: Wheat 500 (298), Barley 25 (43).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	101.0		101.0 100.5
Nov	102.5	103.5	103.0
Jan	99.0	99.0	99.5 99.0
Feb	103.0		102.5

Turnover 28 (10) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	133.12	132.33			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 14,808 lots	
Cash	1128-7.5	1115-6		1120.5-1.5		
3 months	1155-6	1143-4	1157/1144	1149-50	1148-9	115,828 lots
Copper, Grade A (£ per tonne)					Total daily turnover 17,753 lots	
Cash	1364-6	1345-8	1370/1350	1366-7		
3 months	1353-4	1339-40	1360/1338.5	1353-4	1359-60	109,693 lots
Lead (£ per tonne)					Total daily turnover 1,658 lots	
Cash	307-8	306.5-7.5	305	305-5.25		
3 months	316.5-7	316-6.5	318/315	314.5-5	317-8	12,634 lots
Nickel ($ per tonne)					Total daily turnover 2,498 lots	
Cash	7480-500	7490-500	7505	7505-10		
3 months	7525-40	7540-5	7550/7525	7530-40	7525-30	17,044 lots
Tin ($ per tonne)					Total daily turnover 755 lots	
Cash	5505-7	5520-30	5512/5505	5513-4		
3 months	5580-5	5590-5	5585	5580-5	5575-85	5,513 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 8,268 lots	
Cash	999-1001	996-8	1001	1000-1		
3 months	1017-8	1013-4	1018/1017	1017-8	1017-8	27,801 lots

LME Closing £/$ rate:
SPOT: 1.7355 3 months: 1.7150 6 months: 1.6954 9 months: 1.6789

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.80-358.30	
Opening	358.40-358.80	
Morning fix	358.50	207.285
Afternoon fix	357.60	207.244
Day's high	358.40-358.80	
Day's low	357.00-357.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.78	6 months	4.64
2 months	4.73	12 months	4.60
3 months	4.70		

Silver fix	p/fine oz	US cts equiv
Spot	236.00	407.10
3 months	241.85	412.45
6 months	247.85	418.05
12 months	259.75	429.65

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	357.50-358.50	207.25-207.75
Maple leaf	367.50-368.60	213.00-213.50
New Sovereign	87.25-88.25	50.50-51.00

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
450	47	72		3
500	6	35	9	16
550		13	63	44
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	54	101	17	25
775	40	85	28	34
800	29	70	42	44

Brent Crude	Nov	Dec	Nov	Dec
2100	29	36	4	34
2150	7	47	12	59
2200		28		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	357.6	359.3	358.0	356.8
Nov	358.6	360.4	0	0
Dec	360.2	362.0	361.1	359.1
Feb	362.9	364.7	363.6	362.1
Apr	365.5	367.4	368.1	365.9
Jun	368.3	370.2	0	0
Aug	371.2	373.1	0	0
Oct	374.0	375.9	0	0
Dec	377.0	378.9	378.0	377.6

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	357.1	359.4	358.0	358.0
Jan	359.9	362.1	360.5	358.3
Apr	363.6	365.8	364.0	363.0
Jul	367.4	369.7	368.5	368.5
Oct	374.7	377.0	375.8	375.8

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	404.9	411.1	0	0
Nov	406.3	412.6	0	0
Dec	408.5	414.8	409.5	406.0
Jan	410.5	416.9	0	0
Mar	414.9	421.3	416.0	413.0
May	419.3	425.7	420.0	416.0
Jul	423.4	429.7	424.0	424.0
Sep	427.7	434.0	428.0	428.0
Dec	434.3	440.7	0	0
Jan	436.8	443.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	108.00	106.05	108.00	105.50
Nov	107.00	104.70	107.00	105.55
Dec	106.00	103.55	107.00	103.90
Jan	105.00	102.65	0	0
Feb	104.25	102.00	102.75	102.75
Mar	103.50	101.35	103.50	101.80
Apr	103.00	100.95	0	0
May	102.40	100.45	101.10	100.90
Jun	102.00	100.10	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	62.73	66.19	63.00	62.50
Dec	64.25	66.51	64.39	63.81
Mar	66.00	67.52	66.10	65.65
May	66.73	65.90	66.75	66.35
Jul	67.25	65.56	67.45	67.10
Oct	65.75	66.56	65.75	65.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	22.99	22.98	23.00	22.75
Dec	22.82	22.83	22.85	22.61
Jan	22.62	22.62	22.64	22.44
Feb	22.40	22.39	22.42	22.21
Mar	22.16	22.14	22.15	22.00
Apr	21.92	21.89	21.90	21.75
May	21.73	21.69	21.75	21.58
Jun	21.58	21.53	21.66	21.41
Jul	21.45	21.40	21.50	21.28
Aug	21.35	21.30	21.40	21.25

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	6706	6685	6715	6625
Dec	6815	6795	6820	6740
Jan	6851	6836	6860	6775
Feb	6704	6675	6715	6630
Mar	6419	6390	6395	6350
Apr	6154	6125	6120	6090
May	5979	5955	5940	5940
Jun	5864	5840	5830	5800
Jul	5814	5795	5765	5755
Aug	5871	5860	5835	5820

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1271	1282	1274	1263
Mar	1326	1335	1328	1311
May	1360	1367	1360	1360
Jul	1385	1395	1385	1385
Sep	1411	1419	1402	1402
Dec	1449	1459	0	0
Mar	1472	1494	1472	1463
May	1497	1519	0	0
Jul	1522	1544	0	0
Sep	1550	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.30	80.30	81.20	80.20
Mar	84.15	83.80	84.90	83.85
May	86.50	86.15	87.00	86.25
Jul	89.00	88.40	89.50	88.90
Sep	91.65	91.35	92.10	91.25
Dec	95.45	95.05	95.00	94.00
Mar	97.80	98.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.75	8.75	8.79	8.61
May	8.63	8.65	8.67	8.53
Jul	8.61	8.62	8.65	8.53
Oct	8.55	8.59	8.60	8.49
Mar	8.47	8.53	8.45	8.42

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	134.25	129.80	134.50	129.25
Jan	131.80	128.95	132.00	128.60
Mar	132.70	129.75	132.95	128.25
May	134.00	130.80	134.00	130.55
Jul	134.00	130.85	131.50	131.00
Sep	134.00	130.85	0	0
Nov	134.00	130.85	0	0
Jan	134.00	130.85	0	0
Mar	134.00	130.85	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 8	Oct 7	mnth ago	yr ago
1610.8	1603.1	1670.8	1750.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 7	Oct 4	mnth ago	yr ago
Spot	114.87	115.39	118.37	129.40
Futures	123.11	123.55	124.02	131.57

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	572/0	578/4	577/4	571/0
Jan	582/6	587/2	586/2	582/0
Mar	593/2	597/4	596/0	592/2
May	602/0	605/4	606/0	600/4
Jul	608/2	611/2	611/4	606/0
Aug	606/0	610/0	609/6	606/0
Sep	592/4	594/2	595/0	592/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.82	19.59	19.82	19.51
Dec	20.10	19.93	20.15	19.81
Jan	20.29	20.12	20.30	19.99
Mar	20.54	20.40	20.55	20.38
May	20.80	20.65	20.85	20.70
Jul	21.10	21.01	21.15	20.99
Aug	21.20	21.25	21.20	21.15
Sep	21.30	21.30	21.30	21.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	187.8	190.6	190.7	187.6
Dec	185.7	188.8	188.8	185.5
Jan	184.3	186.6	186.5	183.9
Mar	182.6	184.8	184.9	182.5
May	180.8	182.8	183.1	180.7
Jul	180.3	182.0	182.5	180.1
Aug	180.3	181.5	180.3	180.3
Sep	179.5	180.2	180.0	179.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	249/4	252/2	251/4	249/2
Mar	257/6	260/2	259/6	257/4
May	263/6	266/0	265/4	263/4
Jul	267/4	269/6	269/4	267/2
Sep	258/4	259/2	259/6	258/4
Dec	254/6	255/2	255/4	254/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	345/6	346/2	346/0	343/6
Mar	347/4	347/4	348/4	346/0
May	339/6	338/4	340/4	338/4
Jul	326/0	326/4	328/0	325/0
Sep	331/0	334/4	334/0	331/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.32	72.80	72.90	72.30
Dec	76.37	76.57	76.87	76.12
Feb	74.95	74.80	75.25	74.42
Apr	75.42	75.32	75.75	74.95
Jun	72.20	72.35	72.60	71.92
Aug	70.30	70.40	70.82	70.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.92	46.15	46.50	45.85
Dec	44.80	44.85	45.05	44.55
Feb	44.05	44.20	44.48	43.90
Apr	42.02	42.20	42.40	41.95
Jun	46.82	46.90	47.60	46.70
Jul	46.90	46.97	47.00	46.75
Aug	45.37	45.40	45.37	45.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.47	44.85	45.75	44.25
Mar	44.40	44.72	45.35	44.15
May	45.42	45.75	46.25	45.10
Jul	45.80	45.97	46.25	45.30
Aug	43.65	43.80	43.70	43.65

LONDON STOCK EXCHANGE

Early gains mostly lost by the close

By Terry Byland, UK Stock Market Editor

POLITICAL and economic uncertainties restrained an attempted rally in the UK stock market yesterday. London tried to detach itself from Wall Street's weaker trend but gains were reduced towards the close as sterling weakened within the European exchange rate mechanism, undermining hopes for an early cut in UK base rates. The FT-SE Index failed to hold on to the 2,600 mark which was regained in early trading.

The opening of the annual conference of the UK's governing Conservative party found a muted response on the stock market. The UK arm of a leading Japanese securities house commented that foreign investors are "likely to be sensitive" to uncertainties highlighted by the UK government's decision not to hold a November election and the outcome of last week's opposition Labour party annual conference.

The mood was not helped by initial trading of the British Aerospace nil-paid rights shares, which was regarded by specialists as a potential failure. Although the nil-paid shares closed at a small premium, there was little support for them and traders believe that the premium could be challenged this morning.

Share prices opened lower, after Wall Street's renewed setback overnight, but were then helped by a firm futures market. Shares edged higher in modest trading, brushing off a clutch of rights issues headed by MB-Caradon which called for £149m. At best, the FT-SE Index was nearly ten points up. The rise was checked when Wall Street came in without much momentum, showing a gain of 5 Dow points in UK hours and, more conclusively, when sterling softened and London money market rates edged higher.

Uncertainty in the money market cast a shadow over the stock market's hopes that base rates might be trimmed by a further half-point this week. By the close, the gain in the Footsie had been cut to only 3.3 for a final reading of 2,599.5.

The final picture was mixed, with market indices supported by small gains among the international blue chips. BOC, Glaxo, BP and Shell closed firmer on the day. ICI shares, however, were hardly changed after giving back part of an initial gain.

On the other side of the scales, Eurotunnel continued to give ground on Monday's disclosure that building costs have risen sharply and that dividend payments will be postponed for a further year. British Aerospace fell back as traders watched with concern the performance of the rights issue stock.

Consumer stocks tried to rally but could not sustain early enthusiasm as the market awaited the announcement on Friday of the latest data on UK inflation.

Seaq trading volume improved but yesterday's total of 374.9m, against Monday's 304m, was still well at the lower end of normal daily averages. Stock Exchange statistics confirmed low turnover on Monday, when customer, or retail, business totalled only £589m.

Traders said that the low level of turnover in the equity market reflected an unwillingness on the part of fund managers to push share prices ahead. Uncertainty over the progress of the UK economy leaves a question mark over the timing for the recovery from economic recession which is currently the key to investment decisions.

Account Dealing Dates		
*First Dealings:		
Sep 30	Oct 14	Oct 28
Option Declarations:		
Oct 10	Oct 24	Nov 7
Last Dealings:		
Oct 11	Oct 25	Nov 8
Account Day:		
Oct 21	Nov 4	Nov 18

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Oct 8	Oct 7	Oct 4	Oct 3	Oct 2	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.12	87.32	87.26	87.44	87.48	80.22	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.02	97.01	97.07	97.11	97.17	89.14	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1991.6	1989.7	2018.7	2019.2	2037.9	1640.5	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	167.2	166.5	161.2	159.9	157.2	178.2	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2599.5	2598.2	2624.6	2625.6	2644.2	2134.1	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1160.51	1159.76	1170.14	1172.61	1178.20	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.68	4.70	4.65	4.65	4.61	5.82				
●Earning Yld %(full)	7.46	7.48	7.41	7.42	7.39	12.20				
●P/E Ratio(Net)(☆)	16.72	16.66	16.84	16.83	16.87	9.93				
SEAQ Bargns 4.45pm	28,285	29,257	30,955	32,593	30,807	30,405				
Equity Turnover(£m)†	-	589.22	773.99	893.92	1184.49	1746.00				
Equity Bargains†	-	29,141	31,250	32,019	30,178	31,905				
Shares Traded (ml)†	-	278.7	409.1	414.4	456.5	659.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.66

Ordinary Share Index, Hourly changes — Day's High 1996.4 — Day's Low 1985.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1985.5	1992.9	1992.5	1990.2	1990.9	1993.5	1994.0	1995.6	1992.8

FT-SE 100, Hourly changes — Day's High 2606.1 — Day's Low 2590.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2590.2	2600.1	2600.4	2598.5	2600.4	2602.5	2603.4	2605.3	2601.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1162.69 — Day's Low 1159.41

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1160.39	1159.86	1161.80	1160.69	1160.43	1161.42	1160.68

GILT EDGED ACTIVITY

Indices*	Oct 7	Oct 4
Gilt Edged Bargains	75.3	84.9
5-Day average	82.6	83.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

BAe under pressure

DEALINGS IN British Aerospace (BAe) nil-paid shares commenced yesterday and were accompanied by fears that the £432m rights issue could well end up a flop.

The nil-paid opened at 12p premium and subsequently dipped to end a disappointingly quiet session at 6p premium. Turnover in the nil-paid reached only 3.5m shares. There were no signs of any stakebuilding via the nil-paid, dealers said. The "old" shares came under increasing selling pressure as the session wore on, eventually closing a net 22 down at 380p, exactly at the rights price. Less than 1m old shares were traded.

Dealers spoke of a marked lack of support from the underwriters to the issue.

One old hand in the market said the verdict at the end of day was that the issue was "a definite thumbs down; marketmakers were indulging in wholesale strip dodging, that is trying to avoid being left on the bid in both classes of stock. It looks as if BAe shares will come under more pressure tomorrow."

Pilkington active

News that glassmaker Pilkington is to carry out a large-scale reorganisation was seen as a mixed blessing by the market. The company is to form a new unit in Brussels to manage its European flat and safety glass assets. However, it said the changes would result in the loss of some 750 jobs at its headquarters in St Helens, north-east England, and observers expect these to carry large redundancy costs.

The shares bounced up 8 in early trading but then slipped back to close only 3 ahead at 152p on turnover of 7m. One dealer said a number of marketmakers had built up short positions in the stock following a forecast cut by the securities house Nomura on Thursday. The need to fill in these positions was said to have contributed to the firmness in the shares.

Wellcome upset

Wellcome lost ground rapidly ahead of the US approval, likely this week, of the first competitor to its Aids drug Retrovir.

In July, the advisory committee to the US Food and Drug Administration recommended the approval of DDI, trade name Videx, made by Bristol Myers Squibb, of the US. It suggested, however, that the drug only be used by patients who showed intolerance to Retrovir. The FDA has been known to override such recommendations, although this is rare.

In addition, the Wellcome drug has been criticised for its high price. So the threat to Retrovir from DDI also depends on the price of the new drug. A low price would increase the pressure on Wellcome to cut the cost of its treatment.

Retrovir is the only approved treatment for Aids and is Wellcome's second best-selling product. Wellcome shares were 15 lower at one point. They ended at 721p for a net decline of 8 after good turnover.

TSB gave the weakest performance of the banking stocks, the shares closing 3 off at 140p on good turnover of 4.8m.

Lloyds Bank attracted steady and often heavy buying interest to close 6 better at 400p on turnover of 1.9m. Demand was stimulated by a UBS Phillips & Drew buy recommendation. UBS said that over the last five years Lloyds' dividend has compounded at 20 per cent per annum, the highest of all the UK banks. The broker forecast dividend growth of 11 per cent in 1991 and 15 per cent in 1992, significantly in excess of the sector and the market.

The rehabilitation of First National Finance Corporation shares was taken a step further as they recovered 7 more to 70p after successful presentations to institutions on Monday.

Sun Alliance rallied 9 to 358p after the heavy selling of recent sessions. Brokers have recently been reducing their full-year dividend estimates. Smith New Court lowered their expectations for the three composites, having previously expected dividend increases. For Commercial Union Smith cut its forecast from 24.5p to 24p, for General Accident from 28p to 26.75p and for Sun Alliance from 15.5p to 15p. GA shares, however, remained under pressure, closing 4 off at 524p.

Ever-volatile Glaxo climbed 29 to a new high of 1425p. Traders cited US buying of the stock in a thin market.

There was no stopping USM-quoted ML-Laboratories. The shares appreciated 19 to 582p, making a gain of 109p in two weeks. Traders said the spur was a recent buy note from Manchester broker Henry Cooke Lumsden, which argued that sales of a new product, which would improve kidney dialysis, could be so high as to take the share price past £25.

Yesterday, Mr Dominic Wilson at Henry Cooke played down the recommendation. He said the calculation had been only rough and that the company did not yet have the manufacturing capability needed. He remained positive in the longer term.

Reed International added 6 at 469p as BZW reiterated its positive stance on the company. The broker argued that because of the dates of Reed's financial year, it would benefit in the current year from spending on general election-based advertising. Sentiment also benefited from the company's $145m acquisition of part of US publisher Macmillan from Maxwell Communication Corporation.

Water issues drifted back after news that the government is seeking ways to introduce more competition in the industry. Dealers said, however, that pressure on the sector was minimal. Among the Footsie stocks in the sector, Anglian eased 3 to 393p, Thames the same amount to 381p and North West 4 to 373p.

Shell Transport spearheaded a general advance by the oil sector as crude prices touched the $22 a barrel level. Behind the latest advance in Shell have been buy recommendations from a number of brokers. Mr Nick Clayton at Smith New Court is among the bulls of the stock and recently published a strong buy recommendation on the shares.

The Smith analyst said recent worries about future dividend growth, based on declining dividend cover and a rise in gearing implied by the group's aggressive capital expenditure, are "wholly incorrect".

County NatWest and Hoare Govett were also keen supporters of the stock, which settled 5 higher at 509p on 3.3m traded.

BP edged up 2 to 341p in keen two-way turnover of 7.6m. Clyde Petroleum was the latest of the E & P stocks to move ahead sharply, with marketmakers loading their books ahead of a visit by analysts to the group's operations in the Netherlands next Tuesday.

Goal, where stories of an 85p a share bid remained in the market, touched 74p before closing a fraction easier at 71p.

A statement from Ratners on the sharp fall in the company's share price last week did not reassure the market. The company said it saw no change in its operations to justify the drop, but the price lost 9 to 81p yesterday.

Next firmed a penny to 49p as Credit Lyonnais Laing issued a positive note. The broker said sales at Next had grown by 5¼ per cent.

Bid speculation continued to drive Logica higher, the stock closing 5 ahead at 239p.

Simon Engineering dropped 18 to 289p after both Smith New Court and James Capel weighed in with profits downgradings. Smith cut current-year expectations by £7.1m to £18.7m and next year's by £9.8m to £21.7m. Capel is reported to expect current-year profits of £23m, and £32m for next year.

Mr Ian Lowe at Smith New Court said: "The company is suffering from a lack of orders and important elements of the group are well down."

News of production cuts at Ford's Halewood plant weakened GKN and Lucas Industries, both suppliers to Ford. At its worst, GKN was down 13, but the shares rallied to close 9 off at 356p after the company held a presentation at the Society of Investment Analysts. Lucas, having given up 3, picked up to end unchanged at 133p.

AB Ports rallied 8 to 387p. Monday's gloomy progress report continued to affect Eurotunnel, down 23 at 473p.

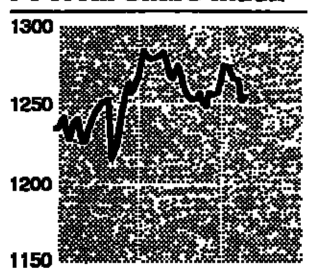
Building products and packaging company MB-Caradon fell 16 in early trading after the company announced a £149m rights issue.

Specialist packaging equipment group Barry Wehmiller called on investors for cash. The shares slid 13 to 166p.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

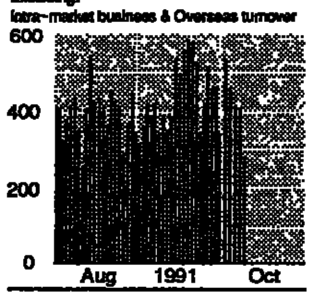
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 20.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (87).
BRITISH FUNDS (4) Tr. 2½pc IL 2001, Tr. 2½pc IL 2003, Tr. 2pc IL 2006, Tr. 2½pc IL 2011, CORPORATION LOANS (1) Leeds 13½pc 2006, BANKS (2) Bank of Scotland 9¼pc Prf., Secure Trust, BUILDINGS (1) Boot (H), CHEMICALS (3) Blagden Inds., Jayes, Plysu, STORES (3) Hampden Homecare, House of Lerose, World of Leather, ELECTRICALS (6) Cambridge Life Sciences, Menvier-Swain, Misys, Sage, Thorpe (FW), ENGINEERING (7) Adwest, BM, Metalrax, Morris Ashby, TACE, Triplex Lloyd, Victaulic, FOODS (4) Banks (SC), Dalepak, Northern, Sims, INDUSTRIALS (14) AAH, AIM, Airsprung Furniture, British Polythene, Cornwell Parker A, Dolphin Packaging, Glaxo, Greenacre, Great Southern, Hays, ML Laboratories, Mitsubishi, Spendex, Suter, INSURANCE (1) Domestic & General, NEWSPAPERS (2) Headline Book Publishing, Quarto, PAPERS (2) Abbott Mead Vickers, Waddington (J), PROPERTY (1) Mountview Estates, SOUTH AFRICANS (1) SASOL, TEXTILES (5) Allied Textile, Dawson Int., Hicking Pentecost, Leeds, Lyles (S), TRUSTS (8) Aberforth Split Level Units, British Empire Secs., Flmg. Claverhouse, Genesis Chile Fund Ptg., SPLIT, TR Smllr. Cos., Value & Income, World Trust Fund Wrrnts., MINES (2) Doral Res., St. Barbara.

NEW LOWS (41).
BRITISH FUNDS (1) Cnv. 9½pc 2004 A, CANADIANS (1) Moscocho Expir., BANKS (2) FNFC 6.5pc Prf., Wintrust, BREWERS (1) Wiltshire, BUILDINGS (5) Costain, Evered Bardon, Grafton, McAlpine (A), Tarmac, Taylor Woodrow, STORES (1) Alan Paul, ELECTRICALS (2) Enterprise Computer, Ericsson (LM), ENGINEERING (1) Robinson (T), INDUSTRIALS (8) Business Technology, Clayhithe, Elkem, Dean & Bowes, Grovewood, Isotron, Melville, Nu-Swift, LEISURE (2) Expedier, Kunick, NEWSPAPERS (1) Mirror Group, PAPERS (2) Rapola, Serif Cowells, PROPERTY (4) Capital & Regional, Hammerson A, Palmerston, Warnford Inv., SOUTH AFRICANS (1) OK Bazaars, TRUSTS (4) Aberdeen Trust, EFM Java, JF Pacific Wrrnts., TopDanmark, OILS (2) Cairn Energy, Midland & Scottish Res., PLANTATIONS (1) Cons. Plantations, MINES (1) Dominion Mining.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	1,000	526	+28	Cookson	629	120½	+1½	Lucas	2,500	133		Severn Trent Water	550	356	-2
ASDA Group	1,200	48	+1	Courtaulds	273	478	+6	MB Caradon	2,100	242	-7	Shell Transport	3,300	509	+5
Abbey National	980	299	+2	Dalgety	476	403	-9	MEPC	220	477	-2	Siebe	463	520	-4
Albert Fisher	1,200	87	-1	De La Rue	60	447		Manweb	72	259	-2	Slough Ests	735	276	+6
Allied-Lyons	822	613	-5	Dixons	274	248	+3	Marks & Spencer	3,200	277	+1	Smith (W.H.) A	113	436	-2
Amstrad	4,800	38½	+1½	ECC Group	194	473	+3	Maxwell Comms.	310	168		Smith & Nephew	482	128	+½
Anglian Water	1,200	393	-3	Eastern Elect.	634	185		Midland Bank	1,400	250		SmKl Beecham	1,400	744	+6
Argos	337	289	-1	East Midland Elect.	198	214	-1	Midlands Elect.	912	213	+1	SmKl Beecham Uts.	92	1258	+30
Argyll Group	659	288	-2	Enterprise Oil	653	515	-2	NFC	496	218	+1	Smiths Inds.	92	287	+1
Arjo Wiggins	825	271	-2	Eurotunnel Units	1,300	473	-23	NatWest Bank	2,200	305	+1	Southern Elect.	875	213	+1
Ass. Brit. Foods	145	477		FKI	40	78		National Power	3,100	157½	+½	South Wales Elect.	255	284	-2
BAA	748	481	-1	Ferranti	5,960	6½	-½	Next	3,300	49	+1	South West Water	18	347	-2
BAT Inds.	1,400	644	-7	Fisons	974	463	+8	North West Water	272	373	-4	South West. Elect.	298	208	-1
BET	823	230		Forte	434	273	+1	Northern Elect.	109	211	-2	Southern Water	195	337	-1
BICC	183	408		Gen. Accident	310	524	-4	Northern Foods	289	563	+3	Standard Chartd.	246	371	-2
BOC	371	603	+10	General Elect.	3,200	189	-3	Norweb	105	226	-3	Storehouse	2,300	109	+2
BPB Inds.	586	180	-3	Glaxo	1,000	1425	+29	Pearson	160	768	-2	Sun Alliance	1,200	358	+9
BTR	2,300	408	-3	Glynwed Int.	240	243		P & O	283	509		T&N	78	181	-1
Bank of Scotland	3,200	120	-1	Granada	391	161½	-½	Pilkington	7,000	152	+3	TI Group	313	603	-5
Barclays	876	455	+1	Grand Met.	1,300	847	+1	PowerGen	4,500	173½	+1	TSB	4,800	140	-3
Bass	681	1008	-8	GUS A	166	1323		Prudential	2,400	259	-2	Tarmac	5,500	182	-3
Beazer Group	1,700	118½		GRE	1,300	175	-2	RHM	285	287	+1	Tate & Lyle	424	393	-4
Berisford Int.	248	29		GKN	1,700	356	-9	RMC	181	597	-6	Taylor Woodrow	305	178	-7
Blue Circle	1,200	248	-5	Guinness	3,600	1019		RTZ	461	555	-4	Tesco	2,100	251	-1
Booker	302	484		Hammerson 'A'	43	584	+6	Racal	1,900	57½	-2	Thames Water	1,100	381	-3
Boots	1,700	417	+4	Hanson	2,700	232	+½	Rank Org.	450	663	+4	Thorn EMI	286	792	+3
Bowater	33	680		Hanson Warrants	1,600	27¼		Reckitt & Colman	286	681	+1	Tomkins	408	407	+4
Brit. Aerospace	831	380	-18	Harrisons Crosfield	481	154		Redland	777	523	-2	Trafalgar House	308	285	+1
British Airways	2,300	186	-1	Hawker Sidd.	386	742		Reed Intl.	897	469	+6	Ultramar	862	254	+2
British Gas	3,700	290	+1	Hillsdown	1,100	213	-3	Rentokil	215	168	-1	Unigate	111	325	
British Land	59	304	+1	IMI	676	243	-3	Reuters	533	833		Unilever	686	790	
BP	7,600	341	+2	ICI	207	1308		Rolls Royce	1,400	144	+1	United Biscuits	837	407	+1
British Steel	1,900	124½	-½	Inchcape	115	898		Rothmans	382	1131	+10	Utd. Newspapers	120	396	-1
British Telecom	2,200	412½	-½	Kingfisher	808	559		Ryl Bk Scotland	1,800	184		Vodafone	1,900	365	+1
Bunzl	1,500	88		Ladbroke	574	257		Royal Insurance	417	339	+1	Wellcome	1,400	721	-8
Burmah Castrol	44	553		Land Securities	355	519	-3	Saatchi	9,900	14¾	-¼	Welsh Water	124	393	-3
Burton	1,300	46	+1	Laporte	140	601	+1	Sainsbury	981	350		Wessex Water	209	422	
Cable & Wire.	3,600	562	+1	Legal & General	689	408	+2	Scottish & New.	219	411	-1	Whitbread 'A'	517	462	-4
Cadburys	534	412	+1	Lloyds Abbey	2,000	405	-5	Scot. Hydro-Elect.	621	115	+1	Williams Hldgs.	173	334	-2
Calor Group	162	242		Lloyds Bank	1,900	400	+6	Scottish Power	2,700	111	+1	Willis Corroon	386	298	-2
Carlton Comms.	503	497	+2	LASMO	1,000	310	-3	Sears	1,300	91	-2	Wimpey	301	168	-1
Coats Viyella	886	176		London Elect.	604	218	-3	Sedgwick	530	268		Yorkshire Elect.	302	241	-2
Comm. Union	405	485	+1	Lonrho	261	235	-1	Seaboard	208	212	-1	Yorkshire Water	902	400	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

BUYING OF the December Footsie future boosted a lifeless underlying equity market yesterday, writes Peter John.

On Liffe, activity in the December contract checked a fall in the index, which had taken fright from a weak Wall Street, and pulled it up as dealers looked for buying opportunities. The December opened strongly and above its estimated fair value premium of 42 points against the index.

The futures led the market throughout the morning, until business slackened at midday. Wall Street opened stronger and London responded but the US strength was not maintained and the December Footsie slipped to 2,638 at the official close, about 4 points below fair value.

Traded options turnover nudged below 20,000 and was dominated by Footsie business. The Footsie option saw 4,216 lots dealt and the Euro Footsie contract was also active. Stock option volume, which has been hit since County NatWest pulled out of that side of the market last week, was unexciting. Lucas was the busiest series, with 1,293 lots dealt, as dealers responded to the gloom in the motors sector. Sheppards bought 400 of the November 140 puts at 15. There was also brisk trade in GKN.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100¼	99⅝	Exch. 11pc 1991	100⅛xd	.....	10.99	10.33
99⅝	96⅝	Treas. 8pc 1991	99⅝	.....	8.04	10.10
101½	100⅜	Treas 12¾pc 1992‡‡	100⅝	-⅛	12.66	9.84
100⅛	97⅞	Treas 10pc 1992	99⅞	.....	10.00	9.93
133⅞	125⅞	Treas. 2pc IL 1992‡‡	133¼	-⅛	1.99	7.76
99¼	95⅛	Treas. 8pc 1992‡‡	99⅛xd	+⅛	8.07	9.85
100⅞	98½	Treas 10¼pc Cv 1992‡‡	100⅛xd	+⅛	10.45	9.81
96⅛	91⅛	Treas. 3pc 1992	96⅛	.....	3.10	8.03
102⅞	100⅝	Exch. 12¼pc '92	102⅛	.....	12.00	9.67
104⅛	102⅞	Exch 13½pc 1992	103½	+⅛	13.04	9.60
98⅛	94	Treas 8¼pc 1993	98⅛	-⅛	8.39	9.57
100¼	97⅛	Treas 10pc 1993‡‡	100⅝xd	-⅛	9.94	9.56
104⅛	102⅛	Treas 12½pc 1993‡‡	104⅛	-⅛	11.95	9.62
95⅛	89⅞	Funding 6pc 1993‡‡	95⅛	.....	6.31	8.80
108⅜	105⅝	Treas 13¾pc 1993‡‡	107⅝	-⅛	12.78	9.65
97⅞	92⅞	Treas. 8¼pc 1994	97⅞	-⅛	8.70	9.63
111⅛	108⅛	Treas 14½pc 1994‡‡	110⅛	-⅛	13.14	9.60
109	105⅞	Exch 13½pc 1994	108⅛xd	-⅛	12.45	9.71
101⅛	96⅛	Treas. 10pc Ln. 1994‡‡	100⅞	-⅛	9.92	9.65
107⅛	103⅞	Exch. 12½pc 1994	106⅞	-⅛	11.70	9.73
98⅞	93¼	Treas 9pc 1994‡‡	98⅛	-⅛	9.17	9.68
106⅞	102⅛	Treas 12pc 1995	106⅛	-⅛	11.28	9.69
89	82⅛	Exch 3pc Gas 90-95	88½xd	.....	3.39	6.67
102⅛	96⅞	Exch. 10¼pc 1995	101⅞	-⅛	10.06	9.69
110⅛	105⅞	Treas 12¾pc 1995‡‡	110	-⅛	11.59	9.75
114⅛	109⅞	Treas. 14pc '96	113⅞	-⅛	12.29	9.94
99⅛	92⅞	Treas. 9pc 1992-96‡‡	99⅛	-⅛	9.09	9.27
119⅞	115⅛	Treas 15¼pc 1996‡‡	119⅛xd	-⅛	12.79	9.94
112⅞	108	Exch 13¼pc 1996‡‡	112⅛	-⅛	11.80	9.88
		Five to Fifteen Years				
101⅞	95⅞	Conversion 10pc 1996	101⅛	-⅛	9.87	9.68
101⅞	97¼	Do. 10pc 1996 B	101⅛	-⅛	10.11	9.69
114⅞	108⅞	Treas 13¼pc 1997‡‡	113⅞	-⅛	11.66	9.89
103⅞	97¼	Exch 10½pc 1997	103⅛	-⅛	10.16	9.71
96⅞	89⅞	Treas 8¾pc 1997‡‡	96⅛	-⅛	9.09	9.63
123⅛	117	Exch 15pc 1997	122⅛xd	-⅛	12.25	10.01
100⅞	93⅞	Exch. 9¾pc 1998	100⅛	-⅛	9.73	9.71
88⅞	80⅝	Treas 6¾pc 1995-98‡‡	88⅛xd	-⅛	7.64	9.21
128⅞	121¼	Treas. 15½pc '98‡‡	127⅞	-⅛	12.12	9.89
111⅞	104⅞	Exch. 12pc 1998	111	-⅛	10.81	9.81
100⅞	92⅞	Treas 9½pc 1999‡‡	99⅞	-⅛	9.54	9.58
113⅛	105⅞	Exch. 12¼pc 1999	112⅞	-⅛	10.87	9.82
104⅞	97⅛	Treas. 10½pc 1999	104⅛	-⅛	10.09	9.73
103⅛	95⅞	Conversion 10¼pc 1999	102⅞	-⅛	9.97	9.74
97⅞	89⅞	Conversion 9pc 2000‡‡	96⅞	-⅛	9.28	9.56
118⅞	110½	Treas. 13pc 2000	117⅞	-⅛	11.03	9.91
103⅛	94⅛	Treas 10pc 2001	102⅛	-⅛	9.79	9.65
119⅞	113⅛	Treas. 14pc '98-01	119	-⅛	11.76	10.00
101⅞	92⅞	Treas 9¾pc 2002	100⅝	-⅛	9.69	9.66

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104⅛	94⅛	Treas 10pc 2003	102⅞	-⅛	9.76	9.66
111	102	Treas. 11½pc 2001-04	110xd	-⅛	10.45	9.87
62⅜	53⅛	Funding 3½pc '99-04	61¼	-⅛	5.71	8.57
100⅞	90⅞	Conversion 9½pc 2004	99⅛xd	-⅛	9.59	9.63
25⅛	24⅛	Conversion 9½pc 2004 A	24⅛	-⅛	9.58	9.62
100⅞	90⅞	Conversion 9½pc 2005	99⅛xd	-⅛	9.58	9.63
121⅞	111	Treas. 12½pc 2003-05	119⅞	-⅛	10.43	9.68
88⅞	79⅞	Treas. 8pc 2002-06‡‡	87¼	-⅛	9.17	9.63
		Over Fifteen Years				
115⅞	105⅞	Treas. 11¾pc 2003-07	114	-⅛	10.31	9.69
93⅞	84⅛	Treas 8½pc 2007‡‡	91⅞	-⅛	9.28	9.54
129⅛	118⅞	Treas. 13½pc '04-08	127⅞	-⅛	10.59	9.68
98	88⅞	Treas. 9pc 2008‡‡	96xd	-⅛	9.38	9.48
89⅞	80	Treas 8pc 2009	87⅞	-⅛	9.16	9.49
97⅞	88⅞	Conv 9pc Ln 2011‡‡	95¾	-⅛	9.40	9.48
98⅛	91⅞	Conv. 9pc 2011 A	95⅞	-⅛	9.51	9.55
66	58⅞	Treas. 5½pc 2008-12‡‡	64½	-⅛	8.53	9.44
85⅞	76⅞	Treas. 7¾pc 2012-15‡‡	84⅛	-⅛	9.22	9.51
125¼	113⅞	Exch. 12pc '13-'17	123¼	-⅛	9.74	9.53
		Undated				
41⅛	37⅞	Consols 4pc	41⅛	-⅛	9.73	-
37⅛	33⅞	War Loan 3½pc‡‡	36⅞	-⅛	9.51	-
60⅞	57⅛	Conv. 3½pc '61 Aft	60⅛	-⅛	5.82	-
30⅞	28¼	Treas. 3pc '66 Aft	30¼xd	.....	9.92	-
26⅞	23⅞	Consols 2½pc	25⅞xd	-⅛	9.73	-
26⅛	23⅞	Treas. 2½pc	25⅛	-⅛	9.83	-

Index-Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or -	(1)	(2)
122¼	115⅛	Treas. 2pc '94	(102.9)	122⅛	+⅛	2.58	3.54
176⅛	168⅞	Do. 2pc '96	(67.9)	176⅛	-⅛	3.35	3.87
144⅞	137⅛	Do 2½pc '01	(78.3)	144⅛	-⅛	3.89	4.18
140⅞	133	Do. 2½pc '03	(78.8)	140⅛	-⅛	3.95	4.20
142⅞	135	Do. 2pc '06	(69.5)	142⅛	-⅛	4.03	4.23
130⅞	124⅛	Do. 2½pc '09	(78.8)	130⅛	-⅛	4.06	4.25
134⅞	128⅛	Do. 2½pc '11	(74.6)	134⅛	-⅛	4.07	4.24
110⅞	105⅞	Do. 2½pc '13	(89.2)	110⅞	-⅛	4.09	4.24
118	113⅛	Do. 2½pc '16	(81.6)	117⅞	-⅛	4.08	4.23
113⅞	109½	Do. 2½pc '20	(83.0)	112⅛xd	-⅛	4.10	4.23
95¼	91⅛	Do. 2½pc '24‡‡	(97.7)	93⅞	-⅛	4.08	4.20

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1991: 130.2 and for August 1991: 134.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107⅞	95⅞	African Dv Bk 11¼ Ln 2010	106⅞	-⅛	10.45	10.32
102⅝	91⅞	Asian Dev Bk 10¼pcLn2009	101⅞	-⅛	10.13	10.09
116⅛	105⅞	Int-Am Dev Bk 12½pc 2003	114⅞	-⅛	10.88	10.23
97⅞	86⅞	Do. 9¾pcLn 2015	96¼	-⅛	10.13	10.16
125	101	Utd. Mexican States 16½pc 2008	124½	.....	13.25	12.90

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104½	100½	Birmingham 11½pc 2012	104½	.....	11.00	10.90
98½	93½	GLC 6¾pc 1990-92	98½	.....	6.85	9.40
119½	110½	Leeds 13½pc 2006	119½	+1	11.30	10.84
31	28	Liverpool 3½pc Irred	31	.....	11.29	-
27	26	LCC 3pc '20 Aft	27	.....	11.11	-
105½	97½	Manchester 11½pc 2007	105½	.....	10.90	10.80

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
95	84½	Sth Rhod. 87-92 Asstd	95	.....	4.74	-

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
106	102	N'wide Anglia 3⅞pc Ln 2021	105¾	.....	-	5.38
107¼	104	Do. 4.25pcIL '24	107½	.....	-	5.02

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	53	.....	5.66	9.95

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
133⅞	120⅞	Hydro Quebec 15pc 2011	132⅞	-⅛	15.0	10.91

Continued on next page

APPOINTMENTS

London head for Goldman Sachs Asset Management

■ Mr Jeffrey Weingarten, a managing director and partner of Goldman Sachs & Co, has been appointed head of GOLDMAN SACHS ASSET MANAGEMENT GROUP in London.

The group has been providing investment management services in London for nearly a year and manages approximately $1bn of fixed income and currency assets.

Mr Weingarten joined Goldman Sachs in 1977 as a top-rated tobacco and beverage analyst in the US, distinctions he sustained for the following 10 years. In 1985 he became director of international equity research and was one of the founders of the FT-Actuaries World Index.

He moved to London in 1987 as head global strategist of Goldman Sachs Research Department.

■ AIR PRODUCTS, the industrial gases concern which is part of the European operations of Air Products and Chemicals Inc, has appointed Mr Graham Cattell and Mr Geoff Procter to its board of directors.

Mr Cattell holds the position of general manager – engineering, within the company's process systems division. Mr Procter has held the post of general manager of the company's UK industrial gases division since 1988.

■ Mr John Moore *(pictured)*, the man once tipped to succeed Mrs Thatcher as leader of the Conservative party, is to become executive chairman of CREDIT SUISSE ASSET MANAGEMENT LTD (formerly Buckmaster & Moore, Stockbrokers) on January 2 next year, replacing Mr Harry France, who will be retiring at the end of this year.

As a preliminary move, Mr Moore, who has said he will stand down as MP for Croydon Central at the next election, joined the CSAM board on October 1. He will also be joining the board of Swiss American Corporation (New York), another subsidiary of Crédit Suisse.

Mr Angus Samuels, a director of CSAM, took on the role of chief executive with effect from September 20.

Mr Moore was secretary of state for social services after the 1987 general election, before ill health helped to end his ministerial career. Prior to his election as an MP in 1974, he was chairman of Dean Witter International, part of the US investment bank.

■ Right Management Consultants Inc, one of the world's leading career management consultants, has named Mr John Woodger managing director of RIGHT ASSOCIATES LTD, its UK company.

Mr Woodger has been in human resource consultancy since 1984, recently as managing director of Alexander Hughes, the executive search practice. He earlier spent 18 years with H.J. Heinz Ltd within the marketing and sales division and served in numerous senior management positions.

■ OAKLEY INVESTMENTS, which has subsidiaries operating in the leisure industry and distribution, said Mr Ben Strickland has joined the board as an independent director.

Until recently Mr Strickland was group managing director – operations of Schroders.

■ Mr Roy Samways has been apppointed to the main KELSEY INDUSTRIES board as group finance director. He joined the company about seven years ago and has been group chief accountant.

■ At ISOSCELES, Mr Khosrow Tahmasebi has assumed the position of company secretary. He will retain his duties as group financial controller.

■ GIROBANK, a subsidiary of the Alliance & Leicester Building Society, has appointed Mr Roger Wallis as key accounts manager with direct responsibility for major corporate customers.

Formerly a senior corporate banker with Midland Bank, Mr Wallis has also worked for Bank of America and American Express.

■ Mr Bill McCosh *(pictured)* will become managing director of MANSFIELD BREWERY with effect from October 14.

He joins from Scottish & Newcastle Breweries, where he has been managing director of Home Brewery for four years. He has also worked for Whitbread.

LONDON SHARE SERVICE

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AMERICANS

CANADIANS

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Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

For Amines see OIL & GAS

[illegible]

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
133	118	Young Group 10p.. β	120	......	5.2	1.8	5.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ^ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◊ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- § USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ■ Not comparable
- ♠ Same interim, reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	640	......
Finlay Pkg. 5p. β	26	......
Holt (Jos) 25p..... β	1985xd	......
Helton Hldgs......... γ	38	......
IRG	125	......
United Drug	175	......

IRISH

Cap 8¾% Ln. 2010	£94	......
9pc Cap Ln. 1996	£98½	......
Fin. 13% 97/02.	£113¼	–½
Arnotts	200	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	28
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	35
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	38
Lucas Inds	12
Marks & Spencer	21
Midland Bk	28
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Teskar Res	1
Ultramar	20

Mines

Lonrho	28
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1800)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int.	6	116.9	116.9	124.0	+0.3	9.27
High Inc Equity	6	135.2	138.6	147.4	-0.6	5.77
Worldwide Bond	6	214.2	214.2	227.2	+0.3	6.60
Capital Growth						
American Growth	6	198.5	198.5	212.2	-0.3	1.03
Asian Pacific	6	118.2	120.6	128.2	-0.3	1.22
Assets & Earnings	6	184.2	188.0	200.0	-0.6	2.90
Capital Reserve Acc	0	109.51	109.51	109.55	+0.15	6.93
Capital Reserve Inc	0	86.56	86.56	86.58	+0.11	6.93
Commdty & Energy	6	73.17	73.17	78.25	-0.44	1.89
1992 Enterprise	6	65.91	65.91	70.49	-0.05	3.11
Euro Capital Acc	6	86.73	86.73	92.75	-0.2	1.46
Euro Capital Inc	6	82.86	82.86	88.62	-0.18	1.47
General	6	175.9	175.9	188.1	-0.3	2.66
Japan	6	104.0	105.1	111.8	-1.0	0.00
Mastertrust	6	91.87	91.87	98.25	-0.33	2.61
UK Growth Acc	6	175.0	175.0	187.1	-1.0	2.42
UK Growth Dis	6	111.3	111.3	119.0	-0.5	2.46
US Emerging Cos	6	70.60	71.93	76.52	-0.6	0.00
Income & Growth	6	309.8	309.8	331.3	-0.4	4.23
Ethical	6	54.17	54.17	57.93	-0.09	2.69
International	6	62.66	63.51	67.56	-0.25	1.30
Dividend & Growth	6	50.35	51.55	54.84	-0.19	5.47
Global Gwth & Sec	6	52.80	53.06	56.44	+0.01	1.77

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1124.0	1124.0	1177.0	..	0

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	£18.52	18.52	19.55	-0.01	0.89
Progressive Acc	5	£27.91	27.91	29.46	-0.01	0.89
International Inc	5	£19.44	19.44	20.52	....	0.88
International Acc	5	£26.38	26.38	27.84	....	0.88
Can & Foreign Inc	5	230.8	230.8	243.6	....	0.49
Can & Foreign Acc	5	275.8	275.8	291.1	....	0.49
Special Sits Inc	5	207.4	207.4	218.9	+1.0	2.64
Special Sits Acc	5	225.3	225.3	237.8	+1.1	0.64
PEP Inc	5	136.0	139	147.6	-1.7	1.59
PEP Acc	5	145.2	149.0	157.3	-1.8	1.59
Growth Inc	5	80.67	80.67d	85.14	....	0.40
Growth Acc	5	81.49	81.49	86.01	....	0.40

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	124.0	124.0	132.6	....	3.33
Dolphin Dividend	5½	59.84	59.84	64.00	-0.43	5.75
Dolphin Int Inc & Gth	5½	156.6	156.6	167.4	-0.7	4.24
Dolphin UK & Gen	5½	34.57	34.74xd	37.15	-0.12	3.09
Dolphin Fund of Funds	5½	47.71	49.77	53.22	-0.09	1.20

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	78.88	78.88xd	84.36	-0.08	2.71
Do (Accum)	6	84.63	84.63	90.52	-0.09	2.71
Service Cos	6	69.24	69.57	74.40	+0.40	2.46
Do (Accum)	6	72.84	73.19	78.27	+0.42	2.46
Income Growth	6	43.79	43.79	46.83	-0.01	5.18
Do (Accum)	6	61.65	61.65	65.94	-0.01	5.18
Higher Yield	6	32.91	33.10xd	35.40	+0.14	5.18
Do (Accum)	6	42.16	42.40	45.35	+0.18	5.18
American Gth Inc	6	32.61	32.61	34.88	-0.03	1.28
Do (Accum)	6	33.23	33.23	35.54	-0.03	1.28
European Growth	6	24.65	24.65xd	26.36	-0.03	1.88
Do (Accum)	6	25.48	25.48	27.26	-0.04	1.88
Global Bond Inc	6	23.41	23.48	25.12	+0.12	6.58
Do (Accum)	6	27.06	27.14	29.03	+0.14	6.58
Managed P'folio Inc	6	25.64	25.70xd	27.49	+0.04	–
(Do Accum)	6	25.64	25.70	27.49	+0.04	–

GA Unit Trust Mngrs Ltd (1000)H
PO Box 237, York Y01 1LA 0345 581106/7

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GenrA	5¼	183.5	183.5	194.5	-0.8	4.63
Cash* &	1¼	49.99	49.99	50.74	+0.01	9.33
Growth Portfolio	5¼	47.91	47.91	50.78	-0.02	3.15
Income Portfolio	5¼	50.62	50.62	53.66	..	5.87

*C.A.R. – Compound Annual Rate

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	164.7	164.7	176.1	-0.1	0.87
European Gth Inc	5¼	196.1	196.1	209.1	+0.1	0.00
European Gth Acc	5¼	196.1	196.1	209.1	+0.1	0.00
Intl Gwth	5¼	143.4	143.4	152.8	-0.1	0.00
UK Equity Inc	5¼	116.7	116.7xd	125.3	-0.3	6.43
UK Equity Acc	5¼	135.4	136.4xd	145.4	-0.3	6.43
UK Ind Tracker Inc	5	125.3	125.3	133.7	-0.1	3.66
UK Ind Tracker Acc	5	136.2	136.2	145.4	-0.1	3.66
US Eq Ind Tracker Inc	5	139.1	139.1xd	149.2	-0.3	3.02
US Eq Ind Tracker Acc	5	144.4	144.4xd	154.9	-0.4	3.02
Japan Tracker	5	65.43	65.43	69.39	-0.46	0.00
Asian Trader	5¼	79.22	79.22xd	85.09	-0.34	1.83
Managed Inc	5¼	101.2	101.2	108.8	-0.6	1.93
Managed Acc	5¼	102.8	102.8	110.6	-0.6	1.93
Cash Inc	0	100.02	100.02xd	100.02	-0.98	10.25
Cash Acc	0	111.19	111.19xd	111.19	+0.01	10.23
Europa	5¼	104.5	104.5	111.9	+0.3	0.00

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Chartered Equitor (1200)F

Standard Life Tst Mgmt Ltd (0629)H

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General—Contd.

Manulife Group—Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

6–7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or −	Yield Gross
Life Managed Fd	108.8	114.6	....	−
Pension Managed Fd	107.8	113.4	....	−
Life Deposit Fd	109.8	115.6	....	−
Pension Deposit Fd	116.1	122.2	....	−

For National Fin see Target Life

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Harvester Pension Funds				
Managed	168.9	177.8	....	−
UK Equity	182.2	191.8	....	−
Overseas Equity	131.4	138.4	....	−
Fixed Interest	153.4	161.5	....	−
Property	137.2	144.5	....	−
Index Linked	151.1	159.1	....	−
Deposit	162.0	170.6	....	−
With Profits (B)	132.5	139.6	....	−

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	358.7	377.6	....	−
UK Equity	456.8	480.9	....	−
Overseas Eq	342.7	360.8	−0.1	−
American	282.0	296.9	−0.8	−
Far East	378.2	398.2	−0.8	−
Property	194.5	204.8	−0.1	−
Fixed Int	270.4	284.7	+0.6	−
Indexed Gilt	160.9	169.4	+0.2	−
Deposit	186.2	196.0	....	−
With Profit	103.6	109.1	....	−
Pension Fund (Accum Units)				
Managed	516.3	543.5	+0.4	−
UK Equity	616.8	649.3	−0.4	−
Overseas Eq	578.6	609.1	+2.0	−
American	357.0	375.8	−0.8	−
Far East	617.6	650.2	+0.8	−
Property	247.4	260.5	−0.1	−
Fixed Int	337.6	355.4	+0.6	−
Indexed Gilt	175.8	185.1	+0.3	−
Deposit	263.2	277.1	+0.1	−
NPI Pensions Management Ltd				
Managed Fund	1139.4	1159.7	....	−

Prices September 2 Next dealing October 1

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	73.4	77.3	−0.1	−
Stock Market Mngd Fund	72.2	76.0	−0.1	−
Equity Fund	81.7	86.0	−0.1	−
International Fund	63.2	66.5	−0.2	−
European Fund	63.8	67.1	+0.1	−
North American Fund	69.7	73.4	−0.7	−
Pacific Fund	68.2	71.8	+0.2	−
Property Fund	79.3	83.5	....	−
Fixed Interest Fund	61.6	64.9	....	−
Index Linked Sec Fund	63.4	66.7	+0.1	−
Deposit Fund	71.4	75.2	....	−
NUAM Retirement Plans				
Mixed Fund	82.2	86.5	....	−
UK Ordinary Share Fd	97.0	102.1	....	−
International Fund	67.8	71.3	−0.2	−
Property Fund	83.0	87.4	....	−
Fixed Interest Fund	75.7	79.6	−0.1	−
Index Linked Sec Fund	67.5	71.1	+0.1	−
Deposit Fund	85.3	89.8	....	−
NUAM (MP)				
Managed Fund	1036.6	1091.2	−1.0	−
Equity Fund	2239.3	2357.2	−1.0	−
International Fund	167.2	176.0	−0.5	−
Property Fund	503.7	530.3	....	−
Fixed Interest Fund	463.0	487.4	−0.2	−
Index Linked Sec Fund	64.7	68.2	+0.2	−
Deposit Fund	294.4	309.9	....	−

Norwich Union Life Insurance Soc.

Surrey Street, Norwich NR1 3NG 0603 622200

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	230.1	242.8	−0.7	−
UK Fixed Int Acc	185.9	196.2	−0.2	−
Intl Equities Acc	173.3	182.9	−0.6	−
UK Managed Acc	176.3	185.9	−0.3	−
Property Acc	226.5	239.0	....	−
Money Acc	131.9	139.2	....	−
Special Market Acc	150.0	158.3	+1.7	−
Japan Equity Acc	105.6	111.4	−0.3	−
North American Acc	101.5	107.1	−0.4	−
Pacific Acc	94.1	99.3	+0.3	−
Technology Acc	121.3	128.0	−0.9	−
Nat Resources Acc	54.4	57.4	−0.4	−
European Acc	100.1	105.6	+0.2	−
Residential Prop Acc	94.6	99.8	....	−
Swiss Equities Acc	33.2	35.1	−0.1	−
Hong Kong Acc	68.5	72.3	+0.4	−
UK High Inc Eq Acc	75.5	79.7	−0.2	−
Int Fixed Interest Acc	60.0	63.3	+0.1	−
Int Managed Acc	56.3	59.3	−0.1	−
HIP Managed Acc	117.6	124.0	....	−
HIP Managed II Acc	103.4	109.0	+0.3	−
HIP Managed III Acc	120.1	116.1	+0.1	−
Total Investment Bond				
UK Equity Initial		256.2	−0.5	−
UK Fixed Int Initial		126.5	−0.1	−
Intl Equities Initial		117.0	−0.4	−
UK Managed Initial		119.9	−0.2	−
Property Initial		155.1	....	−
Money Initial		90.2	+0.1	−
Special Market Initial		116.4	+1.3	−
Japan Equity Initial		81.9	−0.1	−
North American Initial		78.6	−0.4	−
Pacific Initial		72.9	+0.1	−
Technology Initial		94.0	−0.7	−
Nat Resources Initial		42.1	−0.3	−
European Initial		89.5	+0.1	−
Residential Prop Init		90.2	....	−
Swiss Equities Initial		31.7	−0.1	−
Hong Kong Initial		65.4	+0.4	−
UK High Inc Eq Init		72.0	−0.2	−
Int Fixed Interest Init		58.0	+0.1	−
Int Managed Init		54.5	−0.1	−
HIP Managed Init		114.1	....	−
HIP Managed II Initial		101.7	+0.3	−
HIP Managed III Init		109.5	+0.1	−
Broker Funds				
High Performance	75.1	79.2	....	−
Towerhill Mngd Fd Acc	65.1	68.6	+0.3	−
YRA Executive Fd	99.0	104.4	+0.2	−
£ Global Growth Acc	127.2	134.1	−0.4	−
£ High Income Money Acc	142.8	150.6	....	−
IM Balanced		54.7	....	−
H.F. Speculator Fd		122.4	−0.1	−
AAFS Int Man Fund		127.1	−1.0	−
Anderson-Green Inv Port		85.8	−0.4	−
Individual Pension Funds				
UK Equity Acc	252.5	266.4	−0.8	−
UK Fixed Interest Acc	237.8	250.9	−0.1	−
Intl Equities Acc	221.4	233.6	−0.8	−
UK Managed Acc	193.0	203.5	−0.4	−
Property Acc	203.8	215.0	....	−
Money Acc	166.6	175.8	....	−
Special Market Acc	238.8	251.9	+2.6	−
Japan Equity Acc	167.4	176.6	−0.6	−
North American Acc	125.0	131.9	−0.6	−
Pacific Acc	176.4	186.1	+0.6	−
Technology Acc	157.0	165.7	−1.7	−
Natural Resources Acc	84.4	89.1	−0.6	−
European Acc	112.8	119.0	+0.2	−
Residential Prop Acc	102.1	107.8	....	−
Swiss Equities Acc	33.3	35.2	−0.1	−
Hong Kong Acc	70.6	74.5	+0.5	−
UK High Inc Equ Acc	82.8	87.4	−0.2	−
Int Fixed Interest Acc	65.0	68.6	+0.2	−
Int Managed Acc	57.4	60.5	−0.1	−
Group Pension Funds				
Equity Acc	839.7	865.7	−3.0	−
Fixed Interest Acc	704.3	726.1	−0.9	−
Managed Acc	139.8	142.5	−0.1	−

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or −	Yield Gross
Gold Range (Pensions)				
Discretionary Fund		138.2	−0.4	−
Equity Fund		136.1	−0.7	−
Fixed Interest Fund		143.7	+0.2	−

Target Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Worldwide Income	220.1	231.7	−0.1	−
Australian	24.2	25.5	....	−
Japan & General	352.2	370.8	−1.6	−
Gold & General	61.3	64.6	+0.1	−
Financial	211.4	222.6	+0.6	−
Income	301.9	317.8	−0.5	−
UK Capital	195.7	206	−0.1	−
Preference	194.2	204.5	−0.1	−
International Bond	90.4	95.2	+0.2	−
European Spec. Sits	185.6	195.4	+0.2	−
Sterling		10.8	....	−
Residential Property	95.5	100.6	....	−

Finexco International Ltd

PO Box 193, St Peter Port, Guernsey 0481 713100

	Bid Price	Offer Price	+ or −	Yield Gross
Intl $ Strategy Fd	$1.102	1.186	....	−
Intl £ Strategy Fd	£1.305	1.404	....	−
Intl DM Strategy	DM1.740	1.872	....	−
$ Defensive Strategy Fd	$1.951	2.098	....	−
$ Aggressive Strategy Fd	$1.961	2.109	....	−

Underwritten by Providence Capitol Intl.

	Bid Price	Offer Price	+ or −	Yield Gross
UK Property Bond		101.0	....	−

Underwritten by Providence Capitol Life Assurance

Hansard International Ltd.

PO 192, Bank Hill, 9th Quay, Douglas IoM 0624 672111

Independent Financial Group PLC

Hornbeam Park, Harrogate, HG2 8QT 0423 873636

	Bid Price	Offer Price	+ or −	Yield Gross
Life Managed Funds				
APM Managed (Skid)	176.4	185.6	−0.6	−
APM B.I. & Growth	114.4	120.5	....	−
APM Bust Fund (Target)	104.2	109.7	+0.1	−
APM Univ Bd (S & P)	51.1	54.1	....	−
Pensions Managed Funds				
APM Exclusive Pen (RD)	157.4	165.7	....	−
APM Mngd Pen (Skid)	662.1	696.9	−2.1	−
APM Mngd Pen (Target)	81.0	87.2	....	−
APM Univ Pen (S & P)	66.8	70.7	....	−

Johnson Fry Asset Managers Plc

Lazard Fund Mngrs (Channel Islands) Ltd

PO Box 275, St. Peter Port, Guernsey, C.I. 0481 718461

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Lazard Select Investment Trust Ltd						
Global Active	5	£10.27	10.27	10.47	....	3.00
UK Active	5	£11.73	11.73	12.01	....	5.00
UK Liquid Assets	5	£10.00	10.00	10.05	....	10.5
UK Index	5	£12.13	12.13	12.64	....	4.3
US Index	5	£13.21	13.21	13.70	....	2.8
Japan Index	5	£7.192	7.192	7.400	....	0.2
Europe Index	5	£11.36	11.36	11.79	....	3.2

Lion World Fixed Income Fund

Albert Hse, 5th Esplanade, St Peter Port 0481 713986

Lion World | $99.557 | 99.557 | 99.708 |

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Australia	$16.57	17.40	-0.10	1.05
Japan Tech	$63.67	66.86	+0.08	-
Japan Fund	$26.60	27.93	+0.03	0.17
Japan New Gnrtn Fd	$20.65	21.72	+0.02	-
Malay Sing	$49.35	51.82	-0.30	0.31
Nth American	$21.41	22.49	-0.21	0.58
Octopus Fund	$21.12	22.18	-0.05	0.80
Pacific Fd	$63.50	66.47	+0.36	-
International Bond	$17.50	18.38	+0.04	6.09
Europa Fund	$13.48	14.16	-0.08	-
Baring Screen Fd	£0.95	1.00	-0.01	-
Trustar Warrant	$10.25	10.77	-0.13	-
Hong Kong	$50.38	52.90	-0.10	3.09
Mngd Portfolio (Stlg)	£4.21	4.54		-
Mngd Portfolio (Dlr)	$10.26	10.83	-0.05	-
Currency Fd-Sterling	£19.48			-
Currency Fd-US Dollar	$15.36		+0.01	-
Cap Fd-Deutschemark	DM40.50		+0.01	-
Cur Fd-Managed S	$45.00	47.25	+0.04	-

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Institutional Sev Series *	$1.00		----	5.38
Investment Series *	$1.00		----	5.38

* Annualised Yield

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Cmnt Portfolio	5	1.0085	1.0019	1.0620	[illegible]	2.05
Gilt	3	[illegible]	0.9330	[illegible]	----	10.39

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (2400)F

PO Box 428, St Helier, Jersey 0534 76077

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	56.77	56.77	59.10	+0.05	9.48

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

TSB Offshore Investment Fund Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Deposit Class	3	101.48	101.48	104.52	+0.02	10.69
Gilt & Fixed Interest	3	104.98	104.98	108.85	+0.03	7.90
Blue Chip & Gilt Eqty	5	51.09	51.09	54.41	-0.08	3.68
International Bond	5	109.43	109.43	116.18	+0.15	5.51
UK Equity	5	137.65	137.65	149.47	-0.04	0.92
International Equity	5	118.26	118.26	126.90	-0.42	0.00
Far Eastern	5	92.19	92.19	98.54	-0.12	0.00
European	5	86.67	86.67	91.67	-0.13	0.00
Pan American	5	145.32	145.32	154.86	-0.79	0.00

TSB Gilt Fund Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Quarterly Share	3	97.11	97.11	100.36	-0.23	10.26
Monthly Share	3	96.76	96.76	99.97	-0.23	10.30

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
ADI (Managed)(z)	5	0.5787	0.5787	0.6163	[illegible]	1.33
ADI Mgd Currency(z)	5	0.3916	0.3916	0.4129	[illegible]	5.55
ADI W'wide Eq(z)	5	0.6418	0.6418	0.6835	[illegible]	1.13
ADI Nth Amer Gth(z)	5	0.7392	0.7392	0.7872	[illegible]	0.01
ADI Far East (z)	5	1.126	1.126	1.199	[illegible]	1.11
ADI Gilt & Income(z)	5	0.2551	0.2551	0.2668	[illegible]	8.55
ADI UK Cap Gth (z)	5	0.2330	0.2330	0.2489	[illegible]	3.25
ADI Europe Fd (z)	5	1.141	1.141	1.212	[illegible]	1.42

For conversion Prices of Shares Phone: 0624 663940

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling	£21.14		-0.01	9.6
US Dollar	$31.31		----	4.3
Deutschemark	DM54.88		+0.02	7.9
Yen	Y4,027		+0001	6.0
Managed Multicurrency	£13.20	13.68	+0.05	-
Managed Multicurrency	$25.15	26.04	+0.01	-
Bond Funds				
Sterling Bond	£0.416	0.432	----	10.6
US Government Income	$99.42	102.95	+0.10	6.6

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up as rate hopes fade

THE DOLLAR pushed ahead yesterday as hopes for an immediate easing in US monetary policy began to fade, while sterling slid to the bottom of the European Exchange Rate Mechanism grid amid growing nervousness by international investors about the political standing of the UK government.

The dollar had begun to advance in late Far Eastern trading but the real boost came towards the end of the European morning when a very early order from New York was executed. The deal involved selling a large quantity of D-Marks for yen and this pushed the dollar a pfennig better against the mark.

Chart points were easily broken and other buyers were sucked into the market after it advanced beyond resistance between DM1.6825 and DM1.6850. Further gains were posted as New York and London traded side by side although it shied away from the important DM1.6990 level.

Behind the dollar's gains was a growing belief that the weakness of the US economic recovery will not spur the Federal Reserve into an immediate relaxation of monetary policy. This was underlined by the Fed's open market operations as it once again refrained from any action in the money markets.

The market also decided to put this interpretation on remarks by Mr David Mullins, a Fed vice chairman, who said that further reductions in the core inflation must take place before interest rates can fall again.

The dollar closed higher at DM1.6950 from DM1.6795; at SFr1.4855 from SFr1.4720; at Y130.10 from Y129.40; and at FFr5.7675 from FFr5.7175. The dollar's index, calculated by the Bank of England, rose to 64.5 from 64.2.

Sterling fell heavily against the dollar and slid to the bottom of the ERM as international investors began to worry about the prospects for the ruling Conservative party.

Sterling had been supported last week by speculation that the anniversary of its membership of the ERM would be the opportunity for a move to the narrower 2¼ per cent band. With an immediate move to the narrow bands now believed to be less likely one of the props supporting sterling has been removed.

There are also signs that reports of divisions within the Conservative party and Labour's lead in some opinion polls have caused investors to reconsider the political risk attached to sterling.

Sterling closed lower at \$1.7145 from \$1.7355; at DM2.9075 from DM2.9150; at SFr2.5450 from SFr2.5545; at Y223.00 from Y224.50; and FFr9.8875 from FFr9.9225.

On the Bank of England's figures, sterling's index finished at 90.4, down 0.3.

The yen remained supported by speculation that this weekend's Group of Seven meeting will agree to a revaluation of the Japanese currency.

The mark fell to Y76.70 from Y77.02 as the large buy order was transacted.

£ IN NEW YORK

Oct.8	Close	Previous Close
£ Spot	1.7025-1.7035	1.7345-1.7355
1 month	0.81-0.79pm	0.83-0.82pm
3 months	2.08-2.05pm	2.10-2.07pm
12 months	7.22-7.12pm	7.13-7.06pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.8	Previous
8.30 am	90.7	90.8
9.00 am	90.7	90.8
10.00 am	90.6	90.8
11.00 am	90.5	90.8
Noon	90.5	90.8
1.00 pm	90.5	90.8
2.00 pm	90.4	90.8
3.00 pm	90.5	90.8
4.00 pm	90.4	90.7

CURRENCY MOVEMENTS

Oct 8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.4	-20.7
U.S Dollar	64.5	-15.3
Canadian Dollar	106.6	+3.8
Austrian Schilling	109.2	+11.5
Belgian Franc	110.6	-2.4
Danish Krone	108.5	+3.1
D-Mark	117.0	+23.9
Swiss Franc	108.9	+17.6
Dutch Guilder	113.4	+15.6
French Franc	102.1	-13.6
Lira	98.5	-19.8
Yen	143.3	+77.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.7

CURRENCY RATES

Oct 8	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.787349	0.703869
U.S Dollar	5.00	1.36857	1.21312
Canadian $	8.46	1.54580	1.36912
Austrian Sch	7.50	16.1710	14.4143
Belgian Franc	8.00	47.3217	42.1862
Danish Krone	9.50	8.85260	7.89436
D-Mark	7.50	2.29728	2.04835
Dutch Guilder	8.00	2.59166	2.30771
French Franc	10¼	7.82411	6.97361
Italian Lira	11½	1716.61	1530.35
Japanese Yen	5.50	177.230	157.523
Norway Krone	8	8.98056	8.01313
Spanish Peseta	-	145.300	129.229
Swedish Krona	10.00	8.37086	7.46771
Swiss Franc	7.00	2.01426	1.79663
Greek Drach	19	N/A	228.102
Irish Punt	-	N/A	0.765905

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.5

OTHER CURRENCIES

Oct 8	£	$
Argentina	17141.8 - 17169.1	9900.00 - 9910.00
Australia	2.1725 - 2.1740	1.2590 - 1.2600
Brazil	940.150 - 941.250	545.350 - 545.650
Finland	7.0835 - 7.0965	4.1060 - 4.1090
Greece	322.000 - 327.150	185.770 - 188.750
Hong Kong	13.3585 - 13.3715	7.7465 - 7.7485
Iran	115.50*	67.00*
Korea(Sth)	1292.75 - 1313.60	746.40 - 755.40
Kuwait	0.50000 - 0.50100	0.28885 - 0.28900
Luxembourg	59.70 - 59.80	34.80 - 34.90
Malaysia	4.7250 - 4.7330	2.7445 - 2.7465
Mexico	5277.15 - 5283.65	3061.00 - 3063.00
N.Zealand	3.0360 - 3.0395	1.7595 - 1.7615
Saudi Ar	6.4650 - 6.5420	3.7500 - 3.7510
Singapore	2.9135 - 2.9205	1.6900 - 1.6920
S.Af (Cm)	4.8500 - 4.8525	2.8195 - 2.8210
S.Af (Fn)	5.3095 - 5.3925	3.0770 - 3.1250
Taiwan	45.75 - 46.85	26.50 - 26.55
U.A.E.	6.3325 - 6.4095	3.6715 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.229	-3.29	4.58	57
Belgian Franc	42.4032	42.1862	-0.51	1.66	28
Italian Lira	1538.24	1530.35	-0.51	1.66	29
Dutch Guilder	2.31643	2.30771	-0.38	1.52	22
D-Mark	2.05586	2.04835	-0.37	1.51	28
Irish Punt	0.767417	0.765905	-0.20	1.34	12
Danish Krone	7.84195	7.89436	0.67	0.47	-27
Sterling	0.696904	0.703869	1.00	0.14	-20
French Franc	6.89509	6.97361	1.14	0.00	-59

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7140 - 1.7345	1.7140 - 1.7150	0.81-0.79cpm	5.60	2.06-2.03pm	4.77
Canada	1.9360 - 1.9580	1.9370 - 1.9380	0.34-0.26cpm	1.86	0.99-0.84pm	1.89
Netherlands	3.2700 - 3.2820	3.2700 - 3.2800	⅜-¼cpm	1.15	⅞-⅝pm	0.92
Belgium	59.70 - 60.05	59.70 - 59.80	7-2cpm	0.90	18-10pm	0.94
Denmark	11.1575 - 11.2315	11.1575 - 11.1675	⅞-⅛orepm	0.67	1¾-⅛pm	0.45
Ireland	1.0870 - 1.0920	1.0880 - 1.0890	0.01-0.05pdis	-0.33	0.04pm-0.06pdis	-0.04
Germany	2.9050 - 2.9135	2.9050 - 2.9100	⅜-¼pfpm	1.03	⅝-⅜pm	0.52
Portugal	249.05 - 250.60	249.60 - 250.60	49-95cdis	-3.45	191-247dis	-3.50
Spain	183.00 - 184.15	183.30 - 183.60	33-44cdis	-2.52	95-109dis	-2.22
Italy	2166.60 - 2175.40	2171.75 - 2172.75	1-3lirdis	-1.10	5-7dis	-1.10
Norway	11.3275 - 11.4040	11.3275 - 11.3375	¼pm-¼oredis	-	par-½dis	-0.13
France	9.8825 - 9.9205	9.8825 - 9.8925	1-⅝cpm	0.99	2-1⅝pm	0.73
Sweden	10.5525 - 10.6235	10.5525 - 10.5625	⅝-1¼oredis	-0.64	1⅛-2dis	-0.64
Japan	222.50 - 225.20	222.50 - 223.50	⅞-⅝ypm	4.37	2¼-2⅛pm	3.92
Austria	20.41 - 20.49	20.41 - 20.44	2¼-1grpm	0.92	4⅝-1⅝pm	0.61
Switzerland	2.5400 - 2.5550	2.5400 - 2.5500	⅝-½cpm	2.36	1⅝-1½pm	1.96
Ecu	1.4150 - 1.4225	1.4150 - 1.4160	0.08-0.03cpm	0.47	0.11-0.04pm	0.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.86-3.81cpm. 12 Month 7.12-7.02pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7140 - 1.7345	1.7140 - 1.7150	0.81-0.79cpm	5.60	2.06-2.03pm	4.77
Ireland†	1.5780 - 1.5910	1.5785 - 1.5795	0.69-0.64cpm	5.05	1.88-1.78pm	4.64
Canada	1.1275 - 1.1300	1.1280 - 1.1290	0.34-0.37cdis	-3.77	0.79-0.85dis	-2.91
Netherlands	1.8900 - 1.9105	1.9095 - 1.9105	0.68-0.71cpm	4.37	1.84-1.89dis	-3.91
Belgium	34.60 - 34.90	34.80 - 34.90	11.50-13.50cdis	-4.30	32.00-37.00dis	-3.96
Denmark	6.4700 - 6.5250	6.5075 - 6.5125	2.45-2.75oredis	-4.79	6.70-7.30dis	-4.30
Germany	1.6795 - 1.6955	1.6945 - 1.6955	0.60-0.61pfdis	-4.28	1.68-1.70dis	-3.99
Portugal	145.00 - 145.20	145.10 - 145.20	92-102cdis	-8.02	280-300dis	-7.99
Spain	106.00 - 107.00	106.90 - 107.00	68-74cdis	-7.97	181-191dis	-6.96
Italy	1254.00 - 1267.25	1266.75 - 1267.25	6.40-6.90liredis	-6.30	18.10-19.10dis	-5.87
Norway	6.5680 - 6.6125	6.6075 - 6.6125	2.85-3.15oredis	-5.45	7.75-8.25dis	-4.84
France	5.7185 - 5.7700	5.7650 - 5.7700	2.08-2.13cdis	-4.38	5.68-5.78dis	-3.97
Sweden	6.1225 - 6.1740	6.1550 - 6.1600	2.95-3.20oredis	-5.99	8.15-8.60dis	-5.44
Japan	129.65 - 130.20	130.05 - 130.15	0.17-0.18ydis	-1.61	0.36-0.37dis	-1.12
Austria	11.8160 - 11.9160	11.9110 - 11.9160	4.30-4.75grodis	-4.56	11.70-13.00dis	-4.15
Switzerland	1.4720 - 1.4860	1.4850 - 1.4860	0.37-0.39cdis	-3.07	1.00-1.06dis	-2.77
Ecu	1.2095 - 1.2200	1.2100 - 1.2110	0.53-0.50cpm	5.11	1.42-1.36pm	4.59

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10⅛
US Dollar	5⅛ - 5⅛	5⅛ - 5⅛	5¼ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛
Can. Dollar	8¾ - 8⅝	8¾ - 8⅝	8⅞ - 8⅞	8⅛ - 8	8 - 7⅞	8 - 7⅞
Dutch Guilder	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Swiss Franc	7⅝ - 7⅝	8 - 7⅞	8⅛ - 8⅛	8⅛ - 8	8⅛ - 8⅛	8⅛ - 7⅞
D-Mark	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
French Franc	9⅛ - 9	9⅛ - 9	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Italian Lira	12 - 10	11½ - 10¼	11⅛ - 10⅞	11½ - 11	11⅛ - 11¼	11⅛ - 11⅛
Belgian Franc	9⅛ - 9	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Yen	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 5⅞
Danish Krone	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Asian $Sing	2⅞ - 2⅞	3½ - 3¼	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅞ - 4⅛

Long term Eurodollars: two years 6¼-6⅛ per cent; three years 6⅞-6⅝ per cent; four years 7¼-7 per cent; five years 7⅜-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.714	2.907	223.0	9.887	2.545	3.275	2172	1.937	59.75	1.415
$	0.583	1	1.696	130.1	5.768	1.485	1.911	1267	1.130	34.86	0.826
DM	0.344	0.590	1	76.71	3.401	0.875	1.127	747.2	0.666	20.55	0.487
YEN	4.484	7.686	13.04	1000.	44.34	11.41	14.69	9740	8.686	267.9	6.345
F Fr.	1.011	1.734	2.940	225.5	10.	2.574	3.312	2197	1.959	60.43	1.431
S Fr.	0.393	0.673	1.142	87.62	3.885	1	1.287	853.4	0.761	23.48	0.556
H Fl.	0.305	0.523	0.888	68.09	3.019	0.777	1	663.2	0.591	18.24	0.432
Lira	0.460	0.789	1.338	102.7	4.552	1.172	1.508	1000.	0.892	27.51	0.651
C$	0.516	0.885	1.501	115.1	5.104	1.314	1.691	1121	1	30.85	0.731
B Fr.	1.674	2.869	4.865	373.2	16.55	4.259	5.481	3635	3.242	100.	2.368
ECU	0.707	1.211	2.054	157.6	6.987	1.799	2.314	1535	1.369	42.23	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
92	3-36	4-00	0-06	0-28
93	2-42	3-15	0-12	0-43
94	1-52	2-35	0-22	0-63
95	1-10	1-61	0-44	1-25
96	0-42	1-29	1-12	1-57
97	0-22	1-03	1-56	2-31
98	0-13	0-47	2-47	3-11
99	0-07	0-32	3-41	3-60

Estimated volume total, Calls 3309 Puts 1794
Previous day's open int. Calls 29433 Puts 15991

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
97	3-31	3-46	0-11	1-14
98	2-40	3-06	0-20	1-38
99	1-56	2-34	0-36	2-02
100	1-16	2-03	0-60	2-35
101	0-49	1-40	1-29	3-08
102	0-28	1-17	2-08	3-49
103	0-15	0-63	2-59	4-31
104	0-08	0-47	3-52	5-15

Estimated volume total, Calls 26 Puts 15
Previous day's open int. Calls 1252 Puts 1925

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8450	1.64	2.07	0.08	0.26
8500	1.21	1.70	0.15	0.39
8550	0.83	1.35	0.27	0.54
8600	0.53	1.05	0.47	0.74
8650	0.31	0.79	0.75	0.98
8700	0.17	0.59	1.11	1.28
8750	0.09	0.43	1.53	1.62
8800	0.05	0.31	1.99	2.00

Estimated volume total, Calls 5860 Puts 3765
Previous day's open int. Calls 75765 Puts 54557

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8975	0.91	1.21	0	0
9000	0.67	0.97	0.01	0.01
9025	0.43	0.73	0.02	0.02
9050	0.22	0.51	0.06	0.05
9075	0.07	0.32	0.16	0.11
9100	0.02	0.18	0.36	0.22
9125	0.01	0.08	0.60	0.37
9150	0	0.03	0.84	0.57

Estimated volume total, Calls 1921 Puts 641
Previous day's open int. Calls 19748 Puts 15338

LIFFE EURODOLLAR OPTIONS
US$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9350	0.96	1.08	0	0.02
9375	0.72	0.84	0.01	0.03
9400	0.48	0.62	0.02	0.06
9425	0.27	0.41	0.06	0.10
9450	0.11	0.25	0.15	0.19
9475	0.04	0.13	0.33	0.32
9500	0.01	0.06	0.55	0.50
9525	0	0.03	0.79	0.72

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 1631 Puts 2137

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8925	0.82	1.14	0	0
8950	0.58	0.90	0.01	0.01
8975	0.36	0.68	0.04	0.04
9000	0.17	0.47	0.10	0.08
9025	0.07	0.30	0.25	0.16
9050	0.03	0.17	0.46	0.28
9075	0.01	0.09	0.69	0.45
9100	0	0.04	0.93	0.65

Estimated volume total, Calls 1267 Puts 2376
Previous day's open int. Calls 36970 Puts 35380

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-15	96-12	95-08	96-11
Mar	95-18	95-17	95-17	96-12

Estimated volume 36355 (29073)
Previous day's open int. 62232 (61128)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	100-04	100-14	100-04	99-24
Mar	99-09	99-18	99-09	98-30
Jun	98-14	98-22	98-14	98-03
Sep	97-21	97-28	97-21	97-31
Dec	96-30	97-04	96-30	97-08
Mar	96-09	96-21	96-19	96-19
Jun	95-21	95-31	95-28	95-31
Sep	95-03	-	-	95-13

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Dec	0.7667	0.7688	0.7658	0.7717
Mar	0.7657	0.7679	0.7648	0.7708
Jun	0.7655	-	0.7670	0.7708
Sep	0.7658	0.7668	0.7668	0.7711

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2638.0	2650.0	2633.0	2636.5
Mar	2671.0	2672.0	2672.0	2672.5
Jun	2703.0	2705.0	2705.0	2705.0

Estimated volume 4788 (6531)
Previous day's open int. 33920 (33782)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1114.0	1114.0	1114.0	1110.0
Mar				

Estimated volume 6 (0)
Previous day's open int. 248 (248)

* Contracts traded on APT after trading hours

ECU BOND (MATIF)

December	106.34	106.24	-0.16	106.42	106.24	9.00	5,080
March	-	106.26	-0.16	-	-	9.00	270

Estimated volume 2,204 Total Open Interest 5,350

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	1.85	-	-	0.16	0.51	-
106	1.07	-	-	0.37	0.81	-
107	0.52	1.02	1.59	0.81	1.24	-
108	0.21	0.84	-	-	-	-
Open Int	100,256	42,540	2,340	79,676	37,225	8,573

Estimated volume 9,479 Total Open Interest 270,610

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7145	1.7065	1.6941	1.6762	1.6438

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd.	11.5
Bank of Cyprus	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk.	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates firm

LONDON money rates firmed yesterday after the Bank of England left the market short of liquidity and as sterling weakened within the European Exchange Rate Mechanism. After some early weakness, the key three months inter-bank rate rose ⅛ percentage point to close unchanged at 10⅛-¼ per cent.

Short term interest rates opened slightly easier as operators continued to hold ample liquidity on their books. On Monday, the money market was in surplus - the first time in eighteen months.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

Despite estimating a daily money market shortage of £500m, the Bank of England was only offered £9m of bills in its morning operations, which suggested that the excess liquidity had already been absorbed by borrowers who had taken advantage of the early softness in rates.

The shortage appeared to have been transferred to the discount houses who sold £166m bills to the Bank of England during the afternoon. Although the Bank was able to inject a further £215m in late assistance, it had not been offered enough bills to meet the market's liquidity needs and this caused rates to harden.

Sterling's softer tone also caused rates to rise as the pound slipped to become the weakest currency within the ERM. Sterling's losses were triggered by worries about the government's political standing. There has been a growing belief that the Conservative party's decision to defer a November general election was a sign of weakness.

Furthermore, the perception that the Labour party had a successful conference last week contrasts with concern that political divisions may come to the fore in this week's Conservative party conference.

The growing political concerns along with the Bank of England's operations has reinforced the market's view that there will no immediate reduction in UK interest rates.

With UK base rates at 10½ per cent a further ½ point reduction is not expected until the end of the year. This idea gained ground in the futures market, where the December short sterling contract slipped 6 points to 90.07 on heavier-than-normal turnover.

The fall in the futures market is a clear sign of the growing uncertainty about the timing of a further rate cut, although at current prices the market is still expecting one this year.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 8) 3 months US dollars		6 months US Dollars	
bid 5⅛	offer 5⅛	bid 5⅛	offer 5⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds			
Prime rate	8	One month	5.10	Three year	6.16
Broker loan rate	7	Two month	5.28	Four year	6.34
Fed.funds	5¼	Three month	5.15	Five year	6.82
Fed.funds at intervention	-	Six month	5.27	Seven year	7.18
		One year	5.31	10-year	7.43
		Two year	5.89	30-year	7.83

Oct.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.10-9.20	9.00-9.15	9.05-9.20	9.20-9.35	9.20-9.35	9.25
Paris	8⅞-9⅛	9⅛-9¼	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	9.25
Zurich	7⅞-7⅞	8-8¼	-	8-8¼	-	-
Amsterdam	9.06-9.12	9.12-9.18	-	9.24-9.29	-	-
Tokyo	6⅛-6⅛	6⅛-6⅛	-	6⅛-6⅛	-	-
Milan	10⅞-11	11⅛-11⅛	-	11⅛-11⅛	-	-
Brussels	9.00-9.13	9.16-9.21	-	9.25-9.30	-	-
Dublin	10-10¼	10⅛-10⅛	10⅛-10¼	10⅛-10⅛	10¼-10⅛	-

LONDON MONEY RATES

Oct 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	10⅛	10⅛	10⅛	10⅛	10⅛
Interbank Bid	10⅛	10⅛	10⅛	10⅛	10⅛	10⅛
Sterling CDs	-	-	10⅛	10⅛	10⅛	10⅛
Local Authority Deps.	10⅛	10⅛	10⅛	10⅛	10⅛	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10⅛	10⅛	-	-	-	-
Company Deposits	-	-	10½	10⅛	10⅛	10⅛
Finance House Deposits	-	-	10⅛	10⅛	10⅛	10⅛
Treasury Bills (Buy)	-	-	10⅛	9⅞	9⅞	-
Bank Bills (Buy)	-	-	10⅛	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.23	5.35	5.35	5.50
SDR Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	7⅛
SDR Linked Dep. Bid	-	-	7	7	7	7
ECU Linked Dep. Offer	-	-	9⅞	9⅞	9⅞	9⅞
ECU Linked Dep. Bid	-	-	9⅞	9⅞	9⅞	9⅞

Treasury Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; six months 9⅛ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.7480 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991, Scheme I: 11.70 p.c., Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.361 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,667 Set by CINEPHILE

ACROSS
1 Entertain with credit to the French (6)
4 Country side, a change from Gaul (8)
10, 12 Home brew for which nipper was in touble (7,4)
11 Prussians who scrap? (7)
12 See 9 and 10
13 Petty officer leaves French composer during armistice with a bad grace (10)
15 Count conker out (6)
16 See 25
20 Dungeon suitable to do physical exercises? (4,3)
21, 3 Temporary charge of British money to foreign office (10)
24 Bed wear at hand before thirst is cured (5-5)
26 See 7
28 FT entertains others left in struggle (7)
29 Where's —? Getting hooch? (7)
30 Shy when going to bed? (8)
31 All that's left of poor man's shoes? (6)

DOWN
1 Parasite gets a seat in high hill (mountain) (8)
2 Cleric with little honour makes record (9)
3 See 9 and 21
5 Thing or person that's opposed (8)
6 Hawthorne's tales for two, a golden collection (10)
7, 23, 2[illegible] Stop, look, [illegible] ecologically [illegible] hybrid fish: take[illegible] (5,5,[illegible])
8 Silent version of [illegible] clue (6)
9, 3, 1[illegible] [illegible] contains - carbon [illegible] (9,4)
14 Rival with carbon [illegible] ide, large amount [illegible] gold [illegible]
17 Withdraw from [illegible] record broken (8)
18 This is what [illegible] (6)
19 Wooded region [illegible] but west? (8)
22 This is what a [illegible] (6)
23 See 7
25, 27, 16 Famous [illegible] for [illegible] man's policy (6,4,7)

Solution to Puzzle No.7,666

[illegible]

JOTTER PAD

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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 8	Oct 7	Oct 4	Oct 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2963.77	2942.75	2961.76	2984.79	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	97.27	97.21	97.30	97.14	97.30 (4/10)	91.30 (16/1)	97.30 (4/10/91)	54.99 (1/10/81)
Transport	1188.34	1178.44	1187.59	1198.43	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.82	212.51	212.63	213.19	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High (a) (2973.17) Low (a) (2926.21)

STANDARD AND POOR'S	Oct 8	Oct 7	Oct 4	Oct 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	380.67	379.50	381.25	384.47	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	449.61	448.54	450.59	454.03	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.58	30.50	30.84	31.15	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	209.78	209.16	210.22	211.73	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	369.19	369.02	371.47	373.02	374.95 (1/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	517.25	516.20	520.40	520.51	528.51 (1/10)	355.75 (14/1)	528.51 (1/10/91)	54.87 (31/10/72)

	Oct 4	Sep 27	Sep 20	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.08	3.04	4.04
	Oct 2	Sep 25	Sep 18	year ago (approx.)
S & P Industrial div. yield	2.74	2.73	2.73	3.49
S & P Indl. P/E ratio	21.14	21.14	21.15	14.55

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
West Elec	6,923,400	18	- 1⅛
Nat Med Ent	5,470,900	17⅛	+ 1⅛
Telefonos	4,410,500	41⅛	+ 2⅛
Amer Express	2,680,700	20⅜	+ ⅛
AT & T	2,674,200	37	+ ¼
Citicorp	2,370,200	13¾	- ⅜
RJ Nabisco	2,152,700	10½	...
Gen Elec	1,549,600	67	- ¼
Philip Morris	1,537,200	71⅛	+ ⅜
IBM	1,438,100	98	- ⅜

TRADING ACTIVITY

† Volume (Millions)	Oct 8	Oct 7	Oct 4
New York SE	170.000	149.790	163.920
Amex	11.092	10.092	10.956
NASDAQ	(u)	138.854	151.232
NYSE			
Issues Traded	2,095	2,104	2,087
Rises	883	522	655
Falls	678	1,067	896
Unchanged	534	515	536
New Highs	74	67	88
New Lows	29	37	24

CANADA

TORONTO	Oct 8	Oct 7	Oct 4	Oct 3	1991 HIGH	1991 LOW
Metals & Minerals	2761.97	2761.80	2779.61	2804.84	3299.99 (18/7)	2632.06 (9/1)
Composite	3353.71	3357.13	3378.87	3393.28	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1775.51	1779.39	1789.47	1799.17	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

*Saturday October 5: Taiwan Weighted Price: 4796.66. Korea Comp Ex. 712.52
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 8 October 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	11.5m	800	+11
Topy Inds	8.8m	793	-57
Meiji Seika	6.1m	1,230	+10
Hazama-gumi	5.3m	918	+10
Toyo Kanetsu	5.2m	1,130	+40
Hitachi Zosen	5.1m	700	-10
Nissan Chem	5.1m	1,000	-10
Okumura	4.8m	1,540	+10
Sato Kogyo	4.4m	1,430	-20
Daicel Chem	4.0m	725	+21

4:00 pm prices October 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.04	17	241	13	12⅞	13	
18¼	14½	A L Labs A	0.16	0.01	19	335	18	17⅞	18	
55¼	40⅞	AMP Inc	1.44	0.03	18	1437	49⅛	48	48½	-½
68⅞	44¼	AMR				105443	58⅞	55⅛	56⅞	+1⅞
2⅝	1	ARX			1	103	1⅜	1⅝	1⅜	+¼
56	41½	ASA	3.50	0.07	14	288	49	48	48¼	-1⅜
55⅞	39¼	Abbott Lab x	1.00	0.02	22	9594	53⅞	52⅞	53⅞	-⅞
14⅝	9⅞	Abitibi Pr x	0.50	0.04	24	6	13	13	13⅛	
11⅞	10⅞	ACM Gvt In x	1.26	0.11		621	11½	11¼	11⅜	
9¾	8¼	ACM GvOpp x	1.01	0.10		70	u9¾	9⅝	9⅝	
9⅞	8¼	ACM Gd Sp x	1.01	0.11		272	u9⅞	9⅜	9⅞	+⅛
11	9⅞	ACM Gvl Se	1.26	0.12		364	10⅞	10⅝	10⅞	+¼
9	7⅝	ACM Man x	1.01	0.12		476	8⅞	8⅜	8¼	
12⅞	11½	ACM Mangd x	1.35	0.11		312	12⅜	12⅝	12⅝	
7½	4¼	Acme Cleve x	0.40	0.06	16	22	6½	6⅛	6⅛	
6	3⅞	Acme Elect			2	3	4⅛	4⅛	4	
40	22¾	Acuson			22	595	33⅛	32⅝	32⅞	-¾
19⅛	14¼	Adams Expr	0.73	0.04	0	65	18⅞	18⅜	18⅞	
20⅛	17½	Adobe12Pf	2.40	0.12		3	19⅝	19⅝	19⅝	
9¼	6⅝	Adobe Res			48	254	7¼	7	7¼	+⅛
38⅞	18	Ad Micro				25	31¾	31½	31¾	+⅛
14¼	4⅝	Ad Micro P	3.00	0.33		143334	9	8⅞	9	
5⅛	2¼	Advest Grp	0.16	0.04	5	107	3⅝	3½	3½	
49⅛	31⅞	Aetna Lf x	2.76	0.08	7	1699	34⅝	34⅛	34⅝	+¼
10⅝	6⅝	Affil A	0.24	0.03	43	856	7⅞	7¼	7⅞	+⅛
20⅞	12	Ahmanson	0.88	0.05	10	4753	16⅞	16⅜	16¾	+¼
14⅞	2⅞	Aileen Inc			14	477	14⅜	14⅛	14⅛	+½
74⅛	51⅞	Air Pr Chm x	1.56	0.02	14	424	66⅞	65½	65⅞	-1⅛
30	18⅞	Airbrne Frt	0.30	0.01	17	899	26	25½	25⅝	-⅜
19⅞	12⅛	Airgas Inc			102	30	18½	18½	18½	+¼
15¼	10	Airlease x	1.88	0.13	7	48	12⅞	12⅝	12⅞	+⅛
96½	88¼	AlaP8.16	8.16	0.08		z100	95¾	95¾	96	+¾
25⅛	21½	AlaPw PfA	2.00	0.08		11	u25⅛	25⅛	25⅛	
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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	5⅞	Safecard	0.15	0.02	8	470	8½	8¼	8½	+¼
13⅝	8⅞	Safeg'd Sc			3	23	12⅞	12	12⅝	+⅜
32	25	SafetyKln	0.32	0.01	25	1383	26⅞	25⅞	26	-⅛
21⅝	11⅞	Safeway			14	1067	19	18	18⅛	-⅞
4⅞	2⅛	SafewayWts				257	4⅛	3⅞	4	-⅛
35⅞	26⅞	StJoePaper	0.20	0.01	38	25	32⅞	32⅝	32⅝	-⅛
34¼	26⅝	StJoeL&P x	1.66	0.05	11	19	31	31	31	
4¼	1½	Salant Crp			0	49	3⅛	3	3	
59⅞	43⅝	Sallie Mae	0.90	0.01	17	3226	58	56⅞	58	+1⅛
13⅝	10⅝	Salomon Br	0.80	0.04		592	13½	13¼	13½	+⅛

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25½	21¼	Yankee Egy	1.60	0.06	12	126	u25½	25¼	25½	+¼
9⅝	5¼	ZenithElec			1	429	5⅝	5⅜	5½	+¼
18½	12	Zenith Nat x	1.00	0.06	91	91	15¾	15½	15½	-⅜
6⅞	4½	Zenix Inc	0.84	0.13		65	u6⅞	6¼	6⅜	
15¼	10⅞	Zero Corp	0.40	0.03	15	28	13	12⅞	13	-⅛
41⅜	29½	Zurn Ind	0.88	0.02	13	457	34	33½	34	+½
13½	10¼	Zweig Fund	1.16	0.09		378	12⅝	12½	12½	-⅛
10⅝	8½	Zweig Totl x	0.96	0.09		346	10¼	10⅛	10¼	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices October 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Bergen Br	0.50	14	226	21¾	21½	21½	-⅛
Bio Rad x	1.00	17	7	23	23	23	
Bio-Rad A		15	53	20½	19¾	19¾	-¼
Blount A	0.45	30	74	7½	7¼	7½	+⅛
Bolar Ph		3	487	7⅛	6½	7	+½
Bow Valley		37	32	11⅝	11½	11¾	
Bowmar		3	31	1⅞	1¾	1⅞	-⅛
Bowne	0.25	22	295	12	11⅝	11⅞	+⅛
Brascan A	0.92	35	18	14¾	14⅝	14⅝	+⅛
BSN Corp		104	194	6⅛	6⅛	6¼	-⅛
Cal Engy		31	181	15⅛	15	15	
Calprop		0	4	2⅛	2⅛	2⅛	
Carnvl A	0.48	15	885	25	24⅛	25	+⅜
Cdn Marc	0.14	17	3	11⅝	11⅝	11⅝	
Chmbrs A		40	719	29	28¾	28⅞	+⅛
Chambers		51	5	29	29	29	
Champion		87	51	3⅞	3½	3½	-⅛
Chiles		7	45	4⅝	4⅝	4⅝	
CMI Corp		0	45	1⅜	1¼	1⅜	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	349	11¾	11	11	-⅜
Perini		6	19	9⅜	9¼	9¼	
Pet Ht&P	0.31	11	5	10⅛	10⅛	9⅞	
Phil LD	0.17	8	401	21⅞	20½	21⅛	+⅛
Pitway A x	1.10	10	20	23⅝	23½	23⅝	+⅛
Ply Gem	0.12	157	31	8	7¾	7⅞	+⅛

URBAN DEVELOPMENT

The FT proposes to publish this survey on November 11 1991.

The FT is read by 47% of Chief Executives of Europe's largest companies who expect their spending on premises/industrial sites to increase. As the FT is also the leading daily publication for reaching relocation decision makers in the UK, this survey will be of vital importance as an advertisement medium. To receive the editorial synopsis and advertisement details, contact,

Ruth Pincombe
Financial Times.
Alexandra Buildings,
Queen Street,
Manchester M2 5HT
Tel: 061 834 9381
Fax: 061 832 9248

Data source: Chief Executives in Europe 1990 BMRC Property Decision Makers 1990

FT SURVEYS

NASDAQ NATIONAL MARKET

4:00 pm prices October 8

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WPP Group	1.11	1	518	2⅛	d2	2⅛	-⅛
Wyman-Gdn	0.40	10	586	3⅞	d3½	3⅞	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		37	2011	30¼	28¾	30	+1
XL Data		34	205	11½	10½	11¼	+½
Xoma Corp		8	2861	15¾	15¼	15¼	
Yellow Fr	0.94	16	1320	30⅜	29⅞	30¼	+¼
York Rsch		59	1448	7¼	6⅛	7⅛	+⅜
ZionUtah x	1.44	9	89	45½	44	45⅛	-⅛

PRINTING TECHNOLOGY

The FT proposes to publish this survey on **28 October 1991**

More senior European businessmen in the paper, printing and publishing industries, read the Financial Times than any other business title. If you want to reach this important audience, call Bill Castle on 071 873 3760.

Data Source: ERBS 1991

FT SURVEYS

AMERICA

Rate hopes support Dow in face of earnings worries

Wall Street

AFTER TWO days of sharp declines, share prices recovered some of their lost ground yesterday, aided by program buying and hopes of lower interest rates, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 21.02 at 2,963.77. The more broadly based Standard & Poor's 500 rose 1.16 to 380.66, while the Nasdaq composite of over-the-counter stocks recovered from early weakness to end up 1.05 at 517.25. Turnover on the NYSE was 171m shares.

Although concern about the third-quarter corporate earnings season and the underlying weakness of the economic recovery have tempered enthusiasm for stocks, expectations of an easing in monetary policy by the Federal Reserve have provided some support for the market.

The betting is on a reduction in the Fed funds rate by 25 basis points to 5 per cent, after September retail sales and producer prices data are released on Friday.

Hopes are also high that the country's commercial banks will cut their prime rates from 8 per cent. Late on Monday the National Bank of Royal Oak, Michigan, one of the small banks that traditionally leads a round of rate cuts, lowered its prime borrowing rate to 7¾ per cent.

Among individual issues, Bell Atlantic firmed $¼ to $44 in response to Monday's court decision to remove the final hurdle preventing the seven regional "Baby Bell" telephone companies from entering the information services industry.

Among other stocks in the telecommunications sector, Pacific Telesis rose $1¼ to $41⅞, Southwestern Bell held steady at $55¾ while Nynex eased $⅛ to $75¾.

Westinghouse Electric, which fell sharply on Monday, dropped another $1⅛ to $18 on volume of 4.8m shares as the market digested the previous days news that the company will take a big charge and announce losses in the third quarter, because of real estate investments at its financial services subsidiary.

National Medical Enterprises rebounded from Monday's losses on reports of federal investigations into health insurance fraud.

The stock climbed $1⅝ to $17⅝ on 4.9m shares after the company said it was buying back some common stock.

Procter & Gamble fell $2 to $81¾ in active trading after the company warned that third quarter net profits would come in below the $1.57 a share earned in the same period a year ago. Waban lost $2⅞ to $20¼ on the news that the company would be taking a $5.5m pre-tax third-quarter charge to cover the closure of some of its cash and carry warehouses.

On the over-the-counter market, SunMicrosystems fell $2⅜ to $24⅞ in volume of 5.7m shares after Goldman Sachs, the broking house, cut its estimate for the company's first quarter and full year 1992 net income.

There was also heavy trading in Synoptics, which plunged $2⅞ to $15⅛ on volume of 3m shares. Investors sold the stock after the company warned that it would report third-quarter profits of about 20 cents a share, compared with 41 cents a share last year.

Canada

TORONTO stocks ended little changed in moderate volume. Based on preliminary data, the composite index dropped 3.42 points to end at 3,353.71.

Declining issues topped advancers 258 to 235, as volume climbed to 24.3m shares from 20.6m. Trading value rose to C$290.7m from C$206.8m.

Six of 14 sub-groups lost ground, with golds showing a 1.46 per cent index drop. The price of gold was quoted in *New York at $357.45 an ounce,* down about $1.80 from the previous day.

Indonesia remains worst performer of month

Jacqueline Moore on a glum September for emerging markets outside Latin America

AT THE end of the third quarter of this year, the world's emerging markets continued to experience mixed fortunes. While Latin America fielded three markets that have more than doubled in dollar terms this year – including one, Argentina, that has almost quadrupled – Europe was dragged lower by falls in the year to date of 62 and 26 per cent in Turkey and Greece, respectively, and South Asia by a loss of 44 per cent in Indonesia.

Last month, markets were mostly lower or little changed, according to the International Finance Corporation, which is part of the World Bank.

The worst performances were scattered throughout the world, with sharp falls in Indonesia, Brazil, Greece and Turkey. The only advance of similar proportions last month was in Argentina.

Indonesia, which fell 21 per cent in dollar terms last month and 14 per cent in August, continued to suffer from lack of demand, from both domestic and foreign investors. Locally, the high yield on deposit rates kept investors out of equities, while internationally, a sheaf of poor company results discouraged foreigners, says Mr David Bates of Asia Equity.

The analyst points out that some large stocks have not been traded for several months, owing to the absence of buyers. When they do eventually trade again, they will drag the market even lower, warns Mr Bates.

For instance, Bakrie Brothers, the steel pipe manufacturer, which is a large constituent of the local market index, has not traded since June when it was quoted at Bt12,700. Yesterday it was again untraded, in spite of a bid at Bt5,500 – which would have represented a fall of 57 per cent.

In Europe, high interest rates tempted investors away from Turkish shares, while the sharp fall in Greece followed news of a rights issue and lack of demand for new listings. In Brazil, the government's postponement of the privatisation of Usiminas, the steel group, depressed sentiment, and the devaluation of the cruzeiro at the end of the month accelerated the decline.

Latin America's main September success story, Argentina, was produced by increased foreign buying and a continued lack of paper, according to Mr Tony Ewell of Bear Stearns. The market rose 12.3 per cent in dollar terms, extending its advance this year to 291 per cent.

Venezuela, which has lagged behind the rest of the region this year after being the best performing market in the world last year, was also firm, rising 9.8 per cent, while Chile added another 8.6 per cent.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms Sep 30 1991	% Change on month	% Change on Dec '90	Local currency terms Sep 30 1991	% Change on month	% Change on Dec '90
Latin America							
Argentina	(29)	1,020.14	+12.3	+291.2	56,028,383	+11.9	+583.7
Brazil	(67)	87.29	−13.5	+109.4	14,288,885	+17.3	+595.6
Chile	(35)	1,761.86	+8.6	+117.2	4,859.87	+9.8	+130.3
Colombia	(20)	318.22	+3.3	+8.0	1,862.57	+5.8	+37.8
Mexico	(56)	1,283.88	−0.2	+77.2	20,289.11	+0.1	+83.7
Venezuela	(16)	476.17	+9.8	−5.4	3,749.05	+11.1	+12.3
East Asia							
South Korea	(77)	353.12	+4.9	+3.0	310.65	+4.3	+4.9
Philippines	(30)	1,201.82	−9.5	+31.1	1,596.54	−9.5	+26.5
Taiwan, China	(70)	659.90	+7.7	+3.1	437.94	+6.8	+1.4
South Asia							
India	(60)	275.74	+5.5	+16.4	570.60	+4.8	+65.2
Indonesia*	(66)	54.90	−21.0	−43.7	60.15	−20.7	−41.3
Malaysia	(62)	133.81	−4.4	+1.4	151.06	−5.9	+2.9
Pakistan	(54)	172.04	+1.5	+40.0	273.97	+0.9	+57.7
Thailand	(43)	279.86	−4.4	−5.2	263.39	−5.0	−4.2
Euro/Mid East							
Greece	(32)	392.80	−13.9	−26.0	567.18	−17.3	−14.0
Jordan	(25)	91.19	+6.2	+0.5	162.62	+3.5	+5.4
Portugal†	(30)	429.76	+1.2	−1.3	398.19	−1.8	+3.9
Turkey‡	(25)	67.81	−12.3	−62.5	421.44	−9.2	−39.1

*Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. †Jan 1986=100. ‡Dec 1986=100.*

ASIA PACIFIC

Nikkei declines as the Big Four are punished

Tokyo

SHARE PRICES closed lower yesterday, as investors were discouraged by the fresh overnight setback on Wall Street and the Japanese Finance Ministry's administrative punishment of the Big Four securities houses, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended at the session's low of 24,155.62, down 175.21, its third consecutive loss. The index fell at the opening, but managed to rebound later in the morning to set a day's high of 24,387.11 on bargain hunting, before turning lower again.

Volume remained thin at 350m shares, after Monday's 300m. Mr Brian Tobin at S.G. Warburg said: "Investors do not want to make a move until they have digested the events on the political front, the outcome of the [Group of Seven industrial nations] meeting over the weekend, and the business suspensions of the Big Four." Investors also refrained from taking positions ahead of the public holiday tomorrow.

Losses led gains by 690 to 276, with 161 issues unchanged. The Topix index of all first section stocks retreated 13.25 to 1,859.13, but in London the ISE/Nikkei 50 index improved 2.41 to 1,403.27.

Activity petered out in the afternoon as the market waited for the Finance Ministry to announce punitive measures against Nomura, Daiwa, Nikko and Yamaichi for compensating favoured clients. After the market closed, the four brokerages were instructed to suspend their corporate division business for head offices and branches from October 15. Nomura and Daiwa will be suspended for one week, Yamaichi two weeks and Nikko three weeks.

In addition, Nomura was ordered to suspend its stock operations and investment research activities at regional headquarters for one month from October 15, and stock underwriting business at the head office and seven branches for six weeks between October 15 and November 25.

Securities houses lost ground ahead of the announcements. Nomura fell Y50 to Y1,730 and Nikko Securities shed Y3 to Y946.

Bargain hunters bought high-technology issues, which had previously been sold off on the higher yen. Sony put on Y10 to Y5,160 and TDK moved up Y50 to Y5,180.

Oil-related shares continued to rise on the fall in crude oil prices. General Seikyu gained Y70 to Y1,460 and Teikoku Oil Y26 to Y946.

Topy Industries, the electric furnace maker, dropped Y57 to Y793 on profit-taking. The issue was incorporated into the Nikkei average at the start of this month, and has been popular with investors.

In Osaka, the OSE average shed 192.54 to 26,666.94 in volume of 17.3m shares. Pharmaceuticals, electricals and steels fell on profit-taking. Ono Pharmaceutical lost Y150 to Y5,450.

Roundup

WALL STREET's overnight fall weighed on the Pacific Rim.

AUSTRALIA's All Ordinaries index came off a low of 1,562.5 to close 12.6 down at 1,566.5, but gold shares fell 1.2 per cent and metals shares dropped 2 per cent. Turnover increased to A$199m from A$177m.

In golds, Newcrest Mining dipped 5 cents to 88 cents.

NEW ZEALAND recovered from an early low to end only slightly weaker, as interest rates turned lower again. The NZSE-40 index fell 20 at one stage, but closed only 6.68 off at 1,434.21 in turnover of NZ$12.4m, after NZ$6.5m.

Fletcher Challenge led the market rebound, closing 4 cents higher at NZ$3.25 after slipping earlier to NZ$3.17.

HONG KONG finished mixed to firmer in moderate trading after bargain hunters wiped out early declines that had reflected Wall Street's weakness. The Hang Seng index ended 6.48 up at 4,066.85 and turnover expanded to HK$1.27bn from HK$1.06bn.

SEOUL slid on reports of financial difficulties at three small-capital companies and on news that shares in a leather company had been suspended after the company had failed to honour bank debts. The composite index closed at 707.75, down 6.13, in turnover of Won325bn, after Won424bn.

Construction shares bucked the trend on rumours that the government would allow construction companies to sell new apartments at market prices, instead of those set by the government. Daelim Industrial, which earns half its turnover from construction, rose Won200 to Won19,000.

MANILA fell 1.7 per cent, after five days of gains. The composite index receded 16.34 to 982.50 in turnover of 88m pesos, down from 122.4m.

TAIWAN advanced for a fourth day. The weighted index climbed 28.90 to 4,846.55 as turnover stayed thin at T$12bn. The strength in financial shares came mainly from Cathay Life Insurance, where a bonus share offer went into effect yesterday.

SINGAPORE fell as foreign institutions liquidated their positions. The Straits Times Industrial index finished at 1,339.12, down 6.14, in turnover of S$74.8m, up from S$87.3m.

BANGKOK eased further. The SET index lost 11.76 to 633.80 in turnover of Bt1.92bn.

SOUTH AFRICA

JOHANNESBURG closed mixed to easier in quiet trading as the recent rise in gold prices ran out of steam. The all-gold index slipped 12 to 1,184 while the industrial index fell 10 to 4,069. The all-share index eased 16 to 3,395.

EUROPE

Corporate result fears push Sweden to seven-month low

WORRIES ABOUT corporate results weighed on Stockholm yesterday, but some bourses, including Paris and Amsterdam, recovered slightly after Monday's weakness, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Oct 8

Hourly changes							
Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1094.35	1094.50	1094.13	1092.26	1092.38	1092.47	1092.88	1093.53

Day's High 1095.25   Day's Low 1091.87

Oct 7	Oct 4	Oct 3	Oct 2	Oct 1
1092.53	1098.21	1102.18	1104.34	1105.95

Base value 1000 (26/10/90)

STOCKHOLM closed at its lowest level since mid-February on fears that the corporate earnings reports due shortly would be disappointing. The Affärsvärlden General index fell 11.8 to 1,006.2, while volume improved slightly to SKr341m from Monday's thin SKr195m.

Forestry companies fell ahead of today's eight-month results from Stora and SCA. Stora free B shares slid SKr15 to SKr300, while SCA free Bs fell SKr1.50 to SKr95.50.

PARIS concentrated on individual stocks as the CAC 40 index rose 4.53 to 1,848.11. Turnover improved slightly on Monday's thin FFr1.4bn.

Eurotunnel fell another FFr3.20 or 6.4 per cent to FFr46.70 as volume grew to 4m shares, after Monday's analysts' meeting, which raised fears of a delay in the opening of the Channel tunnel. James Capel said yesterday: "The most significant point from this meeting was the clear fact that Eurotunnel and the construction consortium, TML, are further apart than ever."

On the upside, Peugeot rose FFr13 to FFr613 in volume of 118,900 shares after the previous day's better-than-expected half-year profits announcement. Valeo, the car parts maker, also rose, adding FFr10 to FFr546 on reports that it was close to signing a co-operation agreement with Motorola of the US.

Total, the oil group, gained FFr13 to FFr889 in 149,950 shares, in the run-up to its share issue and listing in New York later this month.

MILAN continued to focus on shares in the De Benedetti group. The Comit index fell 1.7 to 533.48 in turnover estimated at near Monday's L77bn.

Olivetti was buoyed up by the news earlier this week that it had won an important contract from the Italian post office. The stock was fixed L30 higher at L3,280 before slipping back to L3,235. Cir, the holding company, added L40 to L2,450.

Credito Italiano, which held an upbeat presentation for institutional investors in London ahead of the placement of saving shares by IRI, rose L3 to L2,443.

FRANKFURT continued to slip on fears that domestic and foreign analysts would have to reduce their 1992 earnings forecasts over the next month, because the pick-up in the economy had failed to materialise. The real-time DAX index fell 9.95 to 1,578.71 while the FAZ index, calculated at mid-session, eased 4.54 to 653.50. Volume was estimated at near Monday's DM3.08bn.

Downgradings are expected to be across the board, with the car, chemicals and machinery sectors likely to bear the brunt. BASF fell DM1.40 to DM246.60, Daimler dropped DM5 to DM690.50 and Volkswagen slipped DM3 to DM343.

Among smaller stocks, Linotype, the printing supplier, added to its losses last week by falling another DM27 to DM380.

AMSTERDAM ended quietly firmer, supported by a higher dollar and early gains on Wall Street. The CBS tendency index ended 0.2 up at 88.9.

National airline KLM rose Fl 1.20 to Fl 32.50. On Monday, KLM said that its load factor rose to 74.3 per cent in September from 71.8 per cent in August.

MADRID edged lower in moderate trading. The general index eased 0.78 to 266.18 in turnover of about Pta10bn, after Monday's Pta10.6bn. The industry minister was reported as saying that the main lines in the restructuring of the utility sector had now been drawn.

OSLO rose in a technical reaction to the market's recent weakness. The all-share index rose 1.78 to 478.00 in turnover of NKr208m, up from NKr115m.

BRUSSELS edged lower, with the Bel20 index down 0.68 at 1,100.33 in turnover of BFr583m. Société Générale de Belgique dropped BFr30 to BFr2,070 before announcing first-half results. ZURICH also drifted lower. The Crédit Suisse index slipped 2.1 to 512.2.

LISBON retreated after its positive response on Monday morning to the weekend's election results. The BTA index fell 35.0 to 2,193.4 by 2 pm.

ISTANBUL was comforted by a visit to the bourse from President Turgut Ozal. The 75-share index fell to 2,746, before news of the visit helped it to recover to close at 2,775.18, down 4.04 on the day and above the 21-month closing low of 2,771.97 on October 3.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 8 1991 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 7 1991 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 1991 High	1991 Low	Year ago (approx)
Australia (69)	150.97	−1.1	130.55	124.15	133.04	126.47	−0.9	4.80	152.63	130.39	124.85	133.28	127.58	153.54	112.74	135.00
Austria (20)	173.51	−1.8	150.04	142.70	152.90	152.64	−1.0	1.85	176.62	150.89	144.47	154.22	154.22	222.37	154.82	193.42
Belgium (47)	128.57	−0.5	111.18	105.73	113.30	110.50	+0.1	5.36	129.22	110.39	105.69	112.83	110.41	151.20	118.04	134.55
Canada (114)	134.58	+0.2	116.37	110.67	118.58	109.97	+0.0	3.45	134.37	114.79	109.90	117.32	109.95	142.27	126.49	128.75
Denmark (37)	250.38	−0.4	216.51	205.91	220.64	221.69	+0.1	1.59	251.41	214.77	205.65	219.52	221.49	270.56	217.74	249.41
Finland (15)	85.81	−0.4	74.20	70.57	75.62	73.97	+0.0	3.29	86.19	73.63	70.50	75.26	73.96	125.15	84.92	103.18
France (109)	139.89	−0.8	120.97	115.03	123.26	126.56	+0.1	3.51	140.98	120.43	115.30	123.09	126.44	152.28	119.11	133.67
Germany (65)	106.49	−1.6	92.08	87.58	93.84	93.84	−0.7	2.39	108.27	92.49	88.57	94.53	94.53	125.35	94.15	113.07
Hong Kong (55)	168.52	+0.1	145.72	138.58	148.51	167.62	+0.1	4.35	168.41	143.86	137.75	147.05	167.51	169.98	119.62	118.65
Ireland (18)	155.33	−0.6	134.32	127.74	136.88	138.61	+0.1	3.61	156.28	133.50	127.83	136.46	138.41	182.46	132.88	155.04
Italy (77)	70.60	−1.2	61.05	58.06	62.21	66.80	−0.2	3.47	71.44	61.03	58.43	62.37	66.96	88.23	64.76	85.36
Japan (474)	141.06	−1.2	121.98	116.00	124.32	116.00	−0.7	0.73	142.84	122.03	116.84	124.74	116.84	146.97	118.23	127.34
Malaysia (68)	191.23	+0.2	165.37	157.26	168.52	202.21	+0.3	2.98	190.81	163.00	156.07	166.60	201.54	247.78	169.16	188.05
Mexico (16)	1201.75	+0.8	1039.19	988.30	1059.01	4023.24	+0.8	1.31	1192.52	1018.74	975.43	1041.27	3992.35	1226.36	534.45	506.72
Netherland (31)	138.12	−0.4	119.44	113.59	121.72	120.41	+0.6	4.48	138.62	118.42	113.39	121.04	119.67	145.73	125.70	132.99
New Zealand (14)	45.88	−0.3	39.67	37.73	40.43	42.89	−0.2	6.79	46.01	39.30	37.64	40.18	42.96	54.64	41.18	56.02
Norway (31)	191.14	−0.4	165.29	157.19	168.44	171.49	+0.1	1.64	191.95	163.97	157.01	167.61	171.23	223.24	178.58	244.16
Singapore (38)	186.46	−0.9	161.24	153.34	164.31	145.30	−0.8	2.45	188.15	160.73	153.90	164.28	146.49	206.25	151.63	150.92
South Africa (61)	251.29	+0.3	217.30	206.65	221.43	170.32	−0.3	2.85	250.59	214.07	204.96	218.80	170.90	258.85	173.00	166.29
Spain (53)	151.17	−1.0	130.72	124.32	133.21	122.48	−0.3	4.42	152.75	130.49	124.95	133.38	122.89	171.12	131.51	138.10
Sweden (25)	179.55	−1.9	155.27	147.67	158.23	163.67	−1.5	2.72	183.10	156.42	149.77	159.88	166.09	204.12	146.60	181.87
Switzerland (59)	92.60	−0.9	80.08	76.16	81.62	85.28	+0.0	2.26	93.45	79.83	76.44	81.61	85.28	100.67	82.17	91.61
United Kingdom (240)	178.61	−1.1	154.45	146.87	157.38	154.45	+0.1	4.80	180.63	154.31	147.73	157.71	154.31	187.44	156.27	167.70
USA (526)	154.63	+0.3	133.72	127.17	136.27	154.63	+0.3	3.15	154.16	131.70	126.10	134.61	154.16	161.02	125.95	123.01
Europe (827)	139.20	−1.1	120.37	114.48	122.67	122.05	−0.1	3.93	140.71	120.20	115.09	122.87	122.13	151.52	125.50	137.10
Nordic (108)	179.59	−1.0	155.29	147.69	158.26	155.13	−0.5	2.09	181.45	155.00	148.42	158.43	155.95	200.81	155.55	186.78
Pacific Basin (718)	141.32	−1.2	122.20	116.22	124.53	117.19	−0.7	1.07	143.00	122.17	116.97	124.87	118.00	145.92	117.86	127.08
Euro – Pacific (1545)	140.82	−1.1	121.77	115.80	124.09	119.94	−0.4	2.19	142.44	121.68	116.50	124.37	120.47	147.68	121.29	131.51
North America (640)	153.32	+0.3	132.58	126.10	135.14	151.60	+0.3	3.16	152.87	130.59	125.05	133.50	151.16	159.66	125.91	123.15
Europe Ex. UK (587)	115.97	−1.0	100.28	95.39	102.22	103.54	−0.2	3.25	117.18	100.10	95.87	102.34	103.73	129.80	103.58	118.31
Pacific Ex. Japan (244)	143.76	−0.5	124.31	118.24	126.69	128.76	−0.4	4.35	144.49	123.44	118.21	126.18	127.26	147.60	111.40	123.23
World Ex. US (1736)	142.41	−1.1	123.15	117.12	125.50	121.06	−0.4	2.24	143.93	122.96	117.74	125.68	121.57	148.16	122.32	131.90
World Ex. UK (2022)	142.31	−0.5	123.06	117.04	125.42	129.32	−0.2	2.30	143.04	122.19	117.01	124.91	129.57	145.77	120.06	123.90
World Ex. So. Af. (2201)	144.77	−0.6	125.19	119.07	127.59	131.35	−0.2	2.56	145.62	124.40	119.18	127.17	131.56	148.66	122.92	127.57
World Ex. Japan (1788)	149.21	−0.2	129.03	122.72	131.51	140.13	+0.1	3.48	149.56	127.76	122.34	130.61	139.97	152.85	126.69	129.30
The World Index (2262)	145.47	−0.6	125.79	119.64	128.20	131.69	−0.2	2.58	146.31	124.99	119.68	127.76	131.90	149.01	123.28	127.80

Constituent changes with effect 9/10/91: Additions: Z-Landerbank (Ord. & Pfd.)(Austria). Deletions: Osterr.Landerbank (Ord. & Pfd.)(Austria).

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FINANCIAL TIMES SURVEY

AUSTRIA

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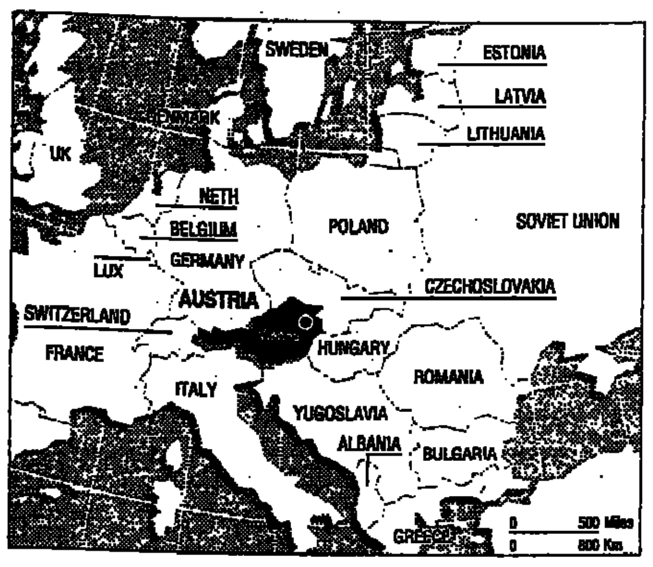
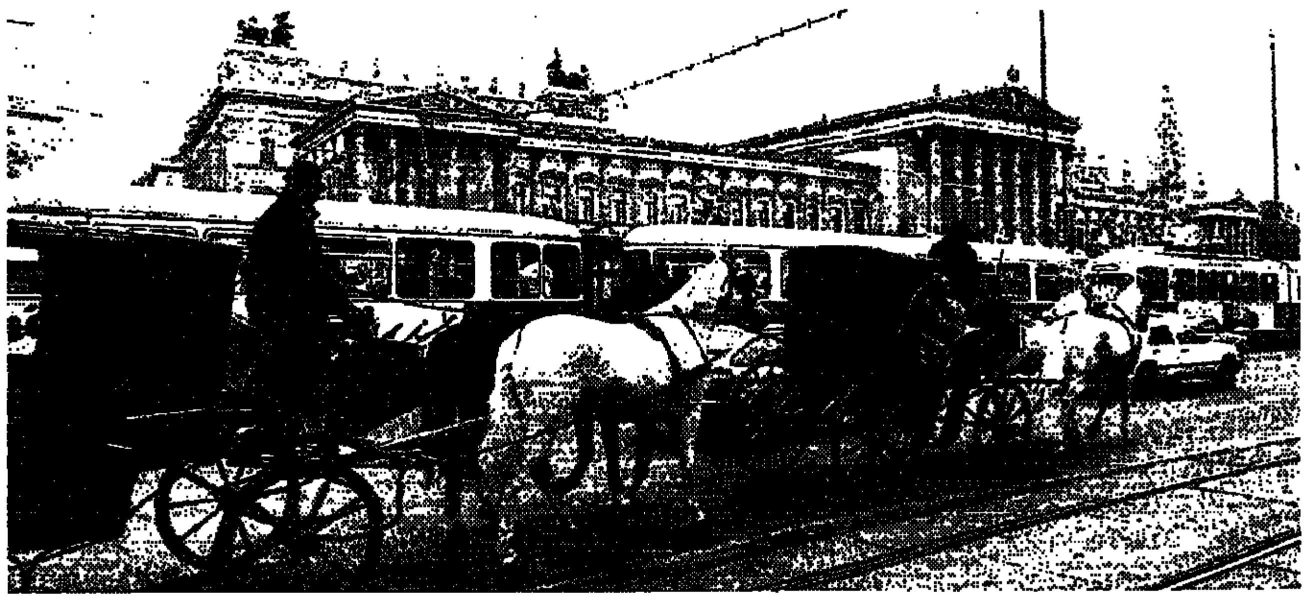
SECTION III

Wednesday October 9 1991



Austrian soldiers, below, patrol the border between Austria, Hungary and Czechoslovakia in an effort to stop illegal immigrants from eastern Europe slipping over the border. The sign in the background says: 'Caution, border.'



In Vienna, trams and tourists in traditional horse-and-carriage pass by the Parliament building. Tony Andrews

Status boost for Vienna

The small but prosperous nation of Austria is gaining fresh importance in central Europe as remarkable events unfold in its neighbouring countries, writes Ian Rodger

THERE is a heady atmosphere in Austria these days, especially in Vienna, which, to the delight of its elites, has suddenly regained some its former status as the capital of central Europe.

The inward rush of people and goods from eastern European countries is being matched by the urgent outward movements of Austrian political leaders and diplomats to add their special knowledge to discussions everywhere on eastern European problems and by western industrialists flying out from their newly established Vienna bases to explore for themselves the mysteries of the east.

Even culturally, the country has relived some of its former glory this year with the highly successful festivities surrounding the 300th anniversary of Mozart's death.

"We used to be on the eastern fringe of western Europe, now we are in the centre of Europe again," one Austrian diplomat says expansively.

The echoes of the former Habsburg empire are not, of course, all happy ones. The Yugoslav crisis has been a painful reminder that many of the foreign policy challenges facing Austria today are the same as those the Habsburgs struggled with for centuries – how to help bring peace and stability to the score of nationalities in the region whose territories so awkwardly overlap, and how to prevent their problems from spilling over into Austria itself.

But this is where the comparison with the imperial past breaks down. Today's Austria, a small, if prosperous, country of 7.6m people, has little influence over events in the east or anywhere else, and is considered stuffy and arrogant by many of its neighbours.

At home, the rapid rise of the anti-immigration, right wing Freedom Party in the past year signals the limitations on modern democratic governments interested in adopting ambitious foreign policies.

Despite the focus on the east, Austrian leaders are also bracing themselves for a tough campaign to win public support for entering the European Community. In July, the European Commission gave its warm endorsement to the country's application, but recent opinion polls suggest opposition to it is rising at home.

At least these challenges come at a time when Austria is unusually well prepared to deal with them. Its economy, which only a few years ago was wheezing under the weight of excessive subsidies to nationalised agencies and industries, is today one of the most robust in Europe, with real growth of over 3 per cent widely expected this year and a similar performance to follow next year.

The country's industries have been accused of taking a free ride on Germany's massive investment in its new eastern states, but at least they had made themselves fit enough to take advantage of the opportunity. New markets in eastern Europe are also growing rapidly, and next year, the long awaited opening of the Rhine-Main-Danube canal will provide an important structural stimulus.

The political situation, too, looks stable for the next two or three years. In last October's general elections, the newly named Social Democratic Party, led by the calm and experienced Franz Vranitzky, maintained its clear plurality.

The conservative Austrian People's Party, plagued by internal divisions and uninspiring leaders, lost ground, and had little choice but to stay on as the junior partner in the "grand coalition" that has ruled since 1986.

The conservatives could form a majority in Parliament by associating with the Freedom Party, but its leaders have insisted they will not do so, and most analysts believe such a move would do it more harm than good among voters.

Thus, despite the rise of the Freedom Party, the government presses on with its ambitious policies to help its eastern neighbours – "it is in our own interest," says Thomas Klestil, the secretary-general (deputy minister) of foreign affairs.

Austria is the second largest contributor to the G-24 initiative, with a Sch 1.2bn subscription this year. It also has significant bilateral programmes, including guarantees for businesses that invest in eastern countries. In addition, it is taking in large numbers of immigrants.

"The economy is strong, so we think we can continue to integrate 30,000 a year," says Klestil.

Certainly, Austrian industry welcomes the arrival of the cheap and, in some cases, highly qualified labour. Others say that Austria's ageing society needs an infusion of fresh, young blood. But the pressure on education systems and housing and labour markets irritates many Austrians. In recent provincial elections, the Freedom Party has made significant gains and now has the support of about one fifth of the electorate.

Political analysts are quick to point out that the Freedom Party's gains are not solely due to the immigration issue. They say voters are increasingly disenchanted with the traditional parties. "Our people have never had it so good, but they are afraid of losing it," according to one government official.

The only political event on the calendar next year is the presidential election, which will finally bring an end to the controversial tenure of Kurt Waldheim. Questions about his wartime record have deeply embarrassed the government, and forced it to curtail the largely ceremonial role of the president in recent years.

While nearly everyone in Austria these days is looking eastward, a perhaps more important challenge comes from the west. Now that the European Commission has endorsed Austria's application for membership, the government has to accelerate internal reforms to harmonise the country's structures with those of the EC and win public support for entry.

Technically, Austria appears well prepared to join the community, and this was acknowledged in the Commission's July notice. The final vestige of foreign exchange control, limiting individuals' rights to open bank accounts abroad, will be lifted next month. Consolidation in the financial industry took a big step last month with the merger between Laender Bank and Zentralsparkasse, creating Austria's largest bank. Next year, the 32 per cent luxury tax is to be removed and the 20 per cent value added tax reduced to 18 per cent.

The referendum, which the government promised three years ago to hold, is the real worry. Austrians have developed a Swiss-like tendency in recent years to ignore the advice of their leaders and vote no in referendums, the latest case being the decision by Vienna voters last spring to reject their government's pro-

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Editorial production: Michael Wiltshire.

There are signs that cozy traditional alliances are breaking down, says **Ian Rodger**

Rising pressures for political realignment

IT WAS hardly to be expected that Austrian internal politics would remain immune from the turmoil surrounding the country this year.

Foreign policy issues, so long studiously avoided by Austrians, have come crashing into the forefront of Austrian politics this year with, first, the Gulf crisis, then, more urgently, the Yugoslavian civil war dominating the headlines and impinging on day to day life.

Austrians now also realise that behind these stark events there are two longer-term general issues with which they must deal – the problems arising from the liberation of neighbouring east European countries and from proposed European Community membership.

All this coming at a time when the cozy traditional alliances forming the foundations of postwar Austrian internal politics are breaking down makes for an unusually unpredictable environment.

For the moment, the "grand coalition" of socialists and conversatives that has governed the country for the past five years looks secure, if only because neither can find a more congenial partner. But the pressures for realignment are building.

The most obvious – and most unpleasant – manifestation of the upheaval in Austrian politics is the rapid rise of the right wing Freedom Party (FPOe), formerly a home for second generation Nazis, now led by a charismatic populist, Joerg Haider, brandishing an anti-immigrant platform.

The FPOe's vote jumped from 9.7 per cent in the 1986 general election to 17.6 per cent in last October's election, and has risen since then to about 20 per cent, according to a recent opinion poll.

The party made a strong showing in the provincial election in traditionally conservative Styria in September, taking its vote share from 5 per cent to 15 per cent and depriving the conservative Austrian People's Party (OeVP) of its majority there for the first time since 1970. The recent vote in Upper Austria continued the pattern, and the FPOe is expected to make similarly impressive progress in the elections in the city of Vienna on November 10.

The capital is, of course, the biggest magnet for immigrants from eastern Europe, and its social democrat administration is trying to cope with the influx as generously as it can. But there are inevitably problems, including a rise in crime, deterioration of standards in primary schools, and increased competition for jobs. The angry message, *"Auslander raus!"* (foreigners out!) can be seen scrawled on hoardings and pillars in the city.

Both parties in the ruling coalition, the OeVP and the recently renamed Social Democratic Party (SPOe), have suffered from this popular anxiety, but the already troubled conservatives have been the main victims so far.

In the general election last October, the conservatives' share of the vote fell from 41.3 per cent in the 1986 election to 32.1 per cent. According to a recent poll of 1,500 people across the country, the OeVP has lost a further four points.

The social democrats held their ground in the election, but their share of the vote in

Alois Mock, foreign minister: a candidate for the conservatives?

Styria dropped from 42 per cent to 35 per cent.

It would be wrong to get alarmed about the extreme right wing threat at this stage. Analysts point out that the FPOe has had surges of popularity in the past, only to remain a decisively marginal force. And the ruling coalition obviously felt secure enough this summer on the immigration issue to remove the controversial visa requirement for Poles. As of September 1, they, along with Hungarians and Czechs, can enter the country without having previously obtained a visa.

But the conservative OeVP is clearly in disarray. Even without the immigration issue, the party was faced with increasing tensions between its forward-looking, liberal mainstream and traditional, protectionist lobbies. Farmers, who stand to lose some of their subsidies if Austria joins the EC, are among the party's most important supporters. So are the doctors, lawyers, pharmacists and small businessmen who are also nervous about liberalisation that must accompany EC membership.

Last spring, the colourless Josef Riegler resigned as OeVP leader in favour of Erhard Busek, a veteran party official. Busek claims that the party's decline has halted and its fortunes are beginning to recover, but he is not over-confident.

"Traditional voting links between the Catholic Church, the workers' movement and the People's Party have weakened so there is a great potential for floating voters," he says. Busek admits that there is no chance of the party improving its standing in the Vienna elections. Some analysts believe it could even slip behind the Freedom Party.

In sharp contrast, the Social Democratic Party, led by the popular and businesslike chancellor, Franz Vranitzky, looks supremely confident. As the coalition leader, it is benefitting not only from the surprisingly strong economy but also from the prestige falling on the country, now that it is in the centre of European events rather than on the fringe.

This leaves the conservatives extremely uncomfortable. "It is easier to be first than second in a coalition," Busek says dryly. But there seems little chance of a rupture in the near future. The distribution in the 183 seat legislature gives the social democrats 80 seats, the conservatives 60, the Freedom party 33 and the greens 10. Both ruling parties have vowed not to enter into any arrangement with the Freedom Party. Thus, if the OeVP left the coalition, that would provoke new general elections. As long as it is weak, it will be loathe do make such a move.

Although the coalition seems stable, it is not the cozy arrangement it used to be, with issues thrashed out behind closed doors and a unified image presented to the public.

There have been open debates this year in parliament, notably on how to respond to the Yugoslav crisis. And it has been clear that Alois Mock, the conservative foreign minister, was more inclined to recognise Croatia than was the chancellor. The conservatives have openly sniped Vranitsky for not being more aggressive in attacking the public deficit, and he has accused them of behaving like an opposition party.

The only election on the calendar for next year is the presidential one in June, which will finally bring to an end the long and embarrassing tenure of Kurt Waldheim. It is not clear yet whether the coalition will endorse a single candidate or present separate ones.

The problem for each party is finding someone who can appeal to people outside their own ranks. The social democrats have a couple of attractive potential candidates, including the chancellor and the popular mayor of Vienna, Helmut Zilk, although Zilk has made a notorised statement that he will not be a candidate and Vranitzky would appear to have little incentive to take the largely ceremonial post.

For the conservatives, Alois Mock, the highly visible foreign minister, and Egmont Foregger, a former minister of justice, have been mentioned as plausible candidates.

Interview with the Chancellor

Strong views on help for eastern Europe

IAN RODGER of the FT put the following questions to Dr Franz Vranitzky, Austria's Chancellor:

QUESTION: Does Austria have a special role to play in bringing the eastern European countries into the community of democratic countries?

ANSWER: Special role or not, given the geographical and geopolitical location of this country, our foreign policy has always been characterised by the country's clear belonging to the western system of democracies, but never leaving out of consideration the relations towards east Europeans. Now that the iron curtain has been torn down, a very specific kind of role has been born.

Q: For example, in the Yugoslav crisis.

A: We have understood our task as a neighbour-country, as a country which has had very close relations with many parts of Yugoslavia in the decades after the war.

Yugoslavia is one of our most important partners as far as foreign trade, tourism and the flow of labour are concerned. There are a good deal of cultural relations, especially with Slovenia and Croatia and perhaps Bosnia.

When, however, the political discussion turned into an armoured conflict, then we thought that we should try to do everything to persuade them to stop fighting and to return to the negotiating tables. This we did with fellow Europeans. And I think in some instances, we were able to be of some help to both sides, just in contributing to understanding. We have tried to urge the security council of the United Nations to deal with it.

Q: Are we doing enough of the right things to help the eastern European countries develop?

A: I have tried to raise my voice at various events, and it is still my firm conviction that economic suppport on a broad basis by the west should have been given earlier.

It is a mistake to tell the east Europeans that they should introduce well-functioning market economies before the west extends financial contributions to them. It is very hard to believe that they will be able to introduce free market economic systems without western support.

We must not become cynical. One could argue that just to extend financial aid to them will not solve their problems, and that is probably right. We must – on a common European basis – develop mechanisms to transfer not only funds, but know-how and experience.

We, in Austria, with our well functioning but very small economy, have developed a few instruments which have started to work not badly. For instance, we developed a system of state guarantees to Austrian investors who venture to go to eastern European countries to invest in factories or set up hotels or other infrastructure projects.

I think similar moves should be taken by the international community on a larger scale than has been done so far.

Q: Are we expecting too much progress too quickly?

A: I think so.

Q: Should we be opening up our markets more quickly?

A: That is a process that is well under way. Still a lot has to be done. The association agreements between the EC and Czechoslovakia, Hungary and Poland have yet to be signed.

But here we are coming back to the problem of developing a competitive economy there. With all our readiness to open our markets, apart from raw materials and semi-finished goods, most of the products that come from eastern Europe are not competitive in the eyes of the western European consumer.

Q: The rise of the right wing Freedom Party in Austria reflects anxiety about the arrival of large numbers of east European immigrants. Should political leaders be more active in trying to explain to people the need to support the development of eastern European countries in various ways?

A: It gives us a good deal of tasks to explain. We have to develop mainly two strategies. One is dealing with those coming into our country, from the point of view of housing, training, education, teaching them our language, giving them jobs.

And the other is to contribute to the development of their own social and economic systems, so that more of their people do not become frustrated and think there is no hope in their own countries.

It is not an easy task to explain to our people that each of the two tasks costs us money. We are now touching the hard core of the problem. It is a problem of the distribution of wealth.

I think that political developments, when and if they happen in a relatively short period of time, create an environment which cannot be perfectly managed by the methods of logic and sober discussion.

But we must not make the mistake of thinking that the progress of the so-called Freedom Party is only due to the migration problem.

What we have seen in almost all European countries is that there seems to be a more open climate for populist approaches to politics – and this has been true especially in those countries where the standard of living is relatively high.

So I think that established political parties in general have to be very careful and

Picture by Tony Andrews

"It is a mistake to tell the east Europeans that they should introduce well-functioning market economies before the west extends financial contributions to them," says Dr Vranitzky.

thoughtful about those developments with and without the additional aspect of migration.

Q: The EC failed to take effective collective action to put pressure on Yugoslavia to stop fighting and, in the end, the UN has done so. Do you think another institution, such as perhaps the Conference on Security and Co-operation in Europe (CSCE), should become more active on collective security issues in Europe?

A: I am not among those who now are sentencing the EC. We are aware that neither the EC nor EFTA were created three decades ago to solve problems like that in Yugoslavia.

We also have to bear in mind that the Yugoslav case is a unique one with its overlapping borders and ethnic groupings. All our international systems are based on the principles of central governments. They have not been developed to deal with regional and local authorities.

In trying to handle those developments in the future – and in our thinking about Helsinki II – we should consider the meaning of the fact that there is a good deal of decentralisation in various parts of Europe.

Terms of entry will be put to a national referendum

Big step towards full EC membership

A MAJOR milestone in Austria's drive towards joining the European Community passed virtually without notice last summer.

On July 31, Mr Frans Andriessen, the EC external affairs commissioner, announced the European Commission had a "fundamentally positive" opinion on Austria's 1988 application for full membership.

However, the attention of most Austrians was – and remains – focussed on the strife in neighbouring Yugoslavia, so there has been little public reaction so far.

With this seal of approval in hand, Austrian officials are now preparing for substantial negotiations on the terms of entry and on a campaign to ensure sufficient public support for the final terms, which will be put to a referendum.

It would be tempting to predict that the debate and ultimate vote on entry will be nothing like as tense as those in other countries, such as the UK, Spain and Greece, when their governments led them to the EC. After all, except for the still marginal Green Party, all political groups in the country support the idea of EC membership.

But Austrians have shown a perverse streak in referendum votes of late. In 1978, they ignored the advice of their political leaders and voted against starting up a nuclear power station that had already been built.

Last spring, the people of Vienna embarrassed their leaders by voting against holding a proposed international exposition in their city.

The two concrete issues involved in Austria's EC membership negotiations – harmonising certain industry structures and limiting lorry traffic in Alpine passes – do not look particularly daunting, but there is an unpredictable political edge on them.

Agricultural subsidies are only slightly larger than those in the EC, amounting to more than Sch2.8bn last year or 4.2 per cent of GDP.

Some producer prices will have to be lowered, and production of some commodities, especially meat, wheat and milk, will have to be cut, but the adjustment should not be too painful. But farmers, who account for eight per cent of the total labour force, are a powerful lobby within the conservative People's Party (OeVO), the junior partner in Austria's governing coalition.

Similarly, many professions in Austria, including doctors, dentists, solicitors and pharmacists, will have to liberalise their operating practices, opening the door to greater competition.

The other thorny issue is that of transit rights for EC commercial traffic through Austria's Alpine valleys. The Austrian government has threatened to reduce the number of permits given to big trucks passing through these valleys because of the high level of pollution caused.

Mr Manfred Scheich, the Austrian official responsible for EC relations, claims that progress is being made on the issue which, he points out, would exist regardless of whether Austria was applying for EC membership.

Indeed, he says the issue must be settled before membership negotiations are undertaken. The two sides have agreed on an approach to the issue, they have now to narrow their differences on the degree to which truck emissions must be cut and within what period of time.

A more fundamental political issue is that of Austria's neutrality. Mr Andriessen said in July that the country would have to give assurances that its neutrality would not hamper EC ambitions for a common foreign and security policy.

It is not unprecedented for an EC member-country to be neutral – Ireland has that status – but with Sweden now applying for membership as well, the Commission is obviously concerned that this stance could gain greater influence in community political discussions.

Neutrality is a subtle notion within the minds of Austrians. Obviously, they associate it with their post-war prosperity, for it was the adoption of neutrality that enabled the country to slip out from under the stultifying influence of the Soviet bloc in 1955.

They also tend to look at neighbouring Switzerland and conclude that neutral countries can avoid getting entangled in foreign wars.

However, it has always been clear that Austrian prosperity derived from the country being a member of the Western alliance in all but name. More important, neutrality in a European context was associated with the cold war.

"The parameters for defining and shaping neutrality policy and in understanding what neutrality means have fundamentally changed, and are still changing," Mr Scheich says.

The government's policy is quite clear. Mr Franz Vranitsky, the prime minister, said in August that Austria welcomed moves toward political union in the EC – "as a country with a deep European orientation, we want to participate in it. We certainly accept that this involves obligations and we will certainly fulfil them."

Mr Scheich says that the country certainly would not get involved in any alliances, in the traditional sense of a group of countries aligning themselves to fight others.

Nor would it allow foreign troops to be stationed on its soil. However, it recognised that political union included security policy – "our basic assumptions are that security in Europe and of Europe are also our security."

Austrian official have been somewhat bemused by the Jesuitical debates among community governments this year over whether deepening of EC institutions should precede the admission of new members, but they are resigned to the view that concrete negotiations on Austrian entry will probably not get underway until after the single market is established at the beginning of 1993.

Then the actual negotiations would take about a year, with parliamentary approvals being sought in 1994. Austrians also assume that its application will be considered in parallel with that of Sweden, but in advance of other applicants.

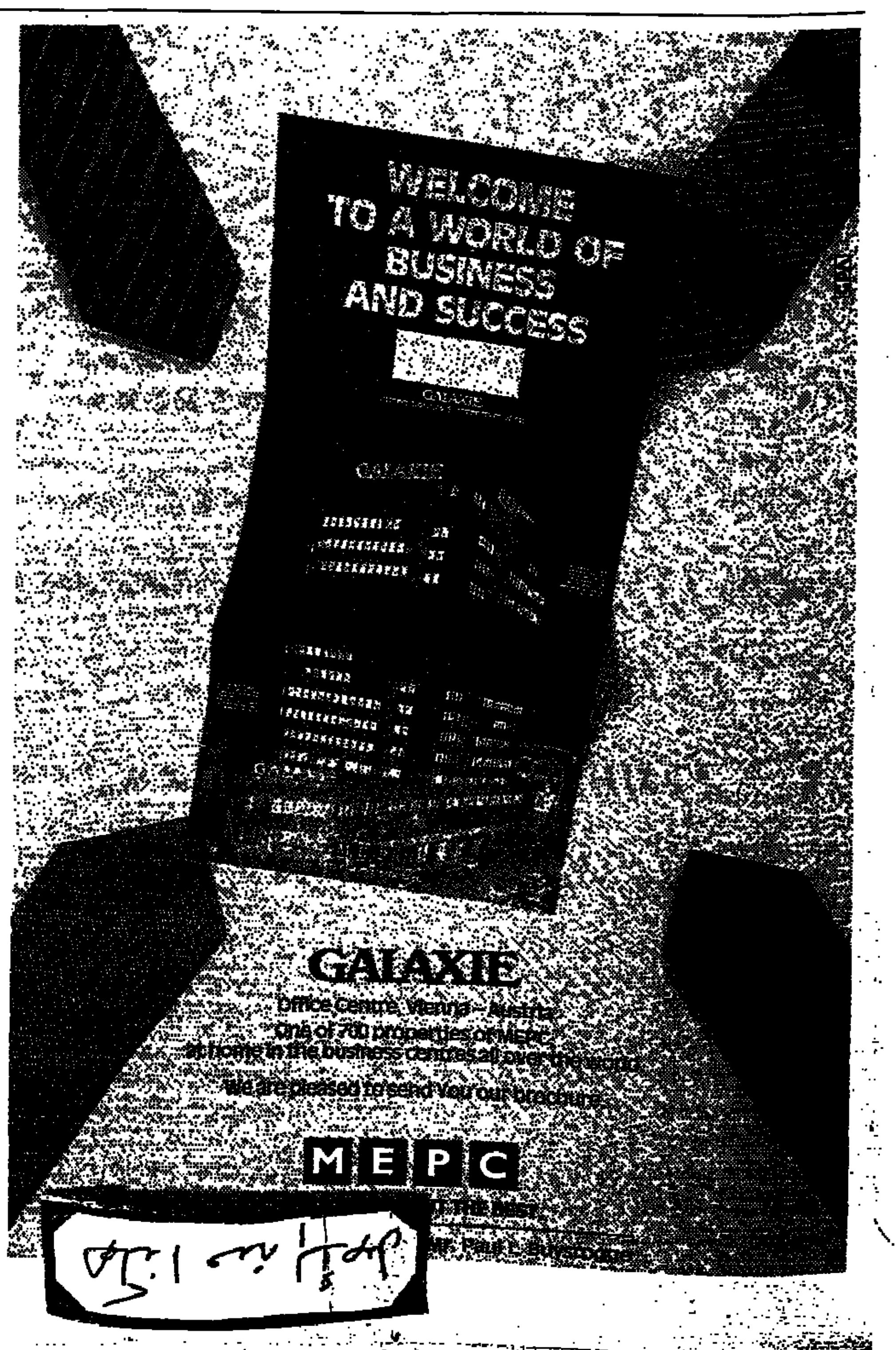
The government plans to launch a publicity campaig n soon, aimed at convincing people of the merits of joining the EC. There is general agreement that it will be favourable for the economy as a whole, with Austria becoming a net contributor to the EC of about $1bn a year. Plainly, a more telling argument, now that the cold war is over, is that Austria risks becoming marginalised, both politically and economically, if it does not join the EC.

Public opinion polls have consistently shown a modest majority in favour of membership, but the number of people who say they are opposed to the EC has risen sharply in the past two years. Analysts attribute this in part to the general nervousness about upsetting the status quo.

"Austrians have never had a better life than now, and they are afraid of losing it," says Mr Thomas Klestil, secretary general of the ministry of foreign affairs.

There is something ironic in that response. Entry to the EC would, in the view of most analysts, improve the standard of living of most Austrians by breaking down the cartels that have preserved high profit margins on many goods and services.

Ian Rodger



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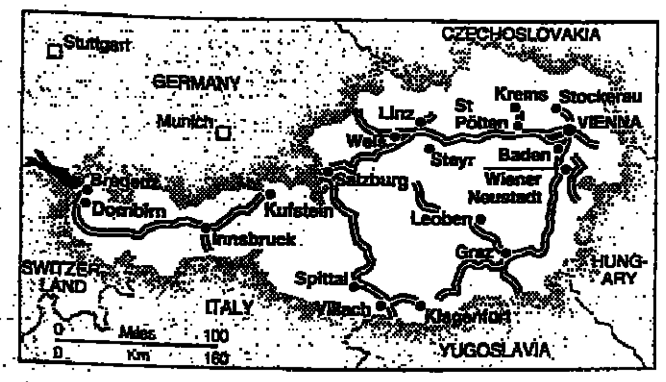


KEY FACTS

Area	83,857 sq km
Population	7.71 million
Head of State	Dr Kurt Waldheim
Currency	Austrian Schilling
Average exchange rate	1990: $1=Sch 11.37

ECONOMIC INDICATORS

	1989	1990
Total GDP (Sch bn)	1,673.4	1,809.9
Real GDP growth (%)[1]	+4.0	+4.6
Components of GDP (%):		
Private consumption	55.5	55.0
Gross fixed investment	24.0	24.5
Stockbuilding	1.9	1.9
Government consumption	18.4	17.6
Exports	40.0	40.7
Imports	-39.5	-39.8
Consumer prices[1]	+2.6	+3.2
Industrial wage rates[1]	+4.4	+2.9
Industrial production[1]	+6.6	+7.1
Reserves minus gold ($bn)	8,598	9,376
Narrow money growth[1]	+1.2	+5.2
Discount rate (% pa, year-end)	6.50	6.50
Govt Bond Yield (% pa, avg.)	7.14	8.74
FT-A share price index[2]	+80.45	-4.35
Current account balance ($m)	59	690
Exports ($m)	31,832	40,089
Imports ($m)	38,437	50,124
Trade balance ($m)	-6,605	-10,034
Main trading partners:[3]	Exports	Imports
West Germany	36.7	43.7
Italy	9.8	9.0
France	4.8	4.2
Switzerland	3.9	4.3
EC	64.5	68.3T

The Vienna Stock Exchange.

Notes: (1) Percentage change over previous year; (2) percentage change on December 31st over same day in previous year; (3) percentage share of trade in 1990. Sources: IMF, Datastream, Economist Intelligence Unit.

Healthy growth rate, low inflation and a stable currency

An enviable economy

WHILE many European countries are hoping soon to recover from recessions of varying depths, Austria continues to cruise along with a healthy real growth rate of about 3 per cent, low inflation and a strong and stable currency.

Ask Austrian economists what can go wrong in the near future, and they shake their heads. Apart from possible external shocks, such as a major rise in world interest rates or a total collapse of the Soviet Union, they cannot think of anything. And if these calamities did occur, everyone would suffer.

"Compared to the OECD or European Community averages, we look quite good in almost every aspect," says Ms Maria Schaumayer, president of the Austrian National Bank.

The main factors contributing to the country's economic strength are the exceptional level of activity in western Germany, Austria's main trading partner, and, to a lesser extent, the opening up of Austria's neighbouring east European economies to normal trade.

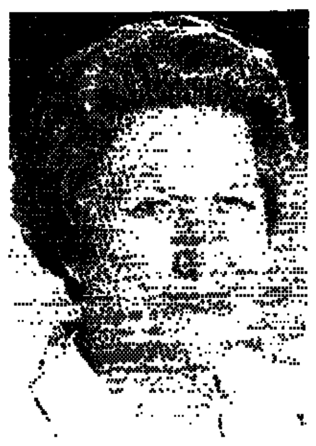
Meanwhile, wage-push inflation is being kept in check by the substantial inflow of labour from the east willing to work, legally or illegally, for relatively low wages.

Fears earlier this year that rising oil prices would drive the inflation rate over 4 per cent have not materialised, and a steady 3.3 per cent rate of increase in consumer prices, the same as last year, is now expected.

Officially, the unemployment rate is rising to close to 6 per cent, but this is mainly because of the influx of foreign workers. The rate of job creation is extraordinarily high. In the year to August, nearly 81,000 new jobs were created, with more than two thirds of them going to foreigners.

The base for the strengthening of Austria's economy was established in the mid-1980s when a scandal in one of the nationalised industries made possible a long overdue Thatcherite revolution in industrial management.

Thousands of workers in traditional industries, such as steel, were made redundant, stifling restrictions to competition were removed and a privatisation programme begun. By the end of the 1980s, Austria's labour costs were lower than those of West Germany, and the country's manufacturers were increasingly competitive in world markets.



Optimistic viewpoint: Maria Schaumayer, president of the Austrian National Bank, commenting on Austria's economic outlook, says: "Compared to the OECD or European Community averages, we look quite good in almost every aspect."

Exports grew 9.6 per cent in real terms in 1988, 9.2 per cent in 1989 and a further 8.8 per cent last year. The pace is slowing this year, due to recession in the US, the UK and other significant European markets, but growth of over 4 per cent in exports is still expected, both this year and next.

"We have no fears of a recession because the reconstruction of eastern Germany has to be financed, regardless of cost or interest rates," says Helmut Kramer, director of the Austrian Institute for Economic Research, (WIFO).

Kramer is also optimistic about the potential of eastern European markets. Big increases of 70 per cent in exports to Czechoslovakia and 22 per cent to Hungary – although admittedly from a very small base – were recorded last year.

"In pre-war times, a third of our exports went to these countries. It went down to 5 per cent in the cold war period," he says.

Austria's structural trade deficit, which has traditionally been covered by earnings from tourism and other invisibles, appears finally to be declining, as the industrial structure shifts from concentration in low value heavy industries to more sophisticated machinery and electronic sectors.

This year, WIFO is expecting a Sch 106bn deficit, which is equivalent to 5 per cent of GDP, compared to a rate of 8 to 9 per cent in the late 1970s. Net outward investment exceeded inward investment in 1990 for the first time in memory, and it will do so again this year as Austrian companies seek to strengthen their presence in international markets.

Tourism has been the traditional balancing item in the country's external accounts, and this year it is even stronger than usual. Both the inflow and the outflow have been affected in Austria's favour by the war in Yugoslavia and pollution on Italian beaches.

The main drags on the economy in recent years have been the large public sector deficits. The governing "grand coalition" agreed on a consolidation programme in 1987 to bring the net central budget deficit down from 5.2 per cent of GDP in 1986 to 2.5 per cent by the end of 1992 by way of 0.5 per cent annual reductions.

Government officials admit this was relatively easy to achieve in the boom years from 1988 to 1990, simply by restraining growth rates of spending.

A vital factor contributing to Austria's economic strength is the exceptionally high level of trading activity with Germany

Chancellor Franz Vranitzky admits that this year, the target will not be met, and the government's share of GDP is expected to end up at 3.3 per cent. Negotiations on next year's budget are underway and a reduction to 3 per cent is expected to emerge.

"This year, as a result probably of the election campaign in 1990, the pace of consolidating the federal budget was interrupted, but we are quickly picking up now for 1992, and we will continue to reduce public expenditure and public activities, mainly by drastically decentralising a lot of our structures," the Chancellor says.

But critics say the gnawing, but politically sensitive, chronic deficits in the nationalised railways and the post office are still to be addressed as is a confused public sector pension system.

National government borrowings, at Sch 900bn, are 47 per cent of GDP and have been stable since 1988. The foreign portion of the debt has been cut from 31 per cent in 1981 to 15 per cent, and the government plans to cut it further.

Following a smooth introduction of an auction system in the domestic issue of government securities in the past three years, the authorities foresee no problems in raising almost all their capital requirements in the home market.

The outlook then is for real GDP growth of about 3 per cent both this year and next year, led by firm performances in trade, capital spending and private consumption.

With Austria's current strength and relatively strong outlook, the question of revaluation of the schilling can occasionally be heard in the country. The currency has been pegged very tightly to the Deutschmark (0.05 per cent variance permitted) and the government intends to maintain that policy.

However, it has also been the pattern that Austrian interest rates have been about 0.5 per cent higher than German ones in order to attract capital. Last August, when the Bundesbank raised its discount rate by 1 per cent, the Austrian National Bank raised its rate by only 0.5 per cent, making the two rates level at 7.5 per cent. There was no reaction against the schilling in financial markets.

Still, both public and private sector economists agree that a revaluation, with much still to be done to improve public finances, would not be credible.

"Our aim is to defend our good position, not to look for a better one," says Ms Schaumayer.

Shoppers in central Vienna: inflation in Austria is being kept in check by the substantial inflow of labour from the eastern Europe willing to work for relatively low wages.

Heady days in Vienna

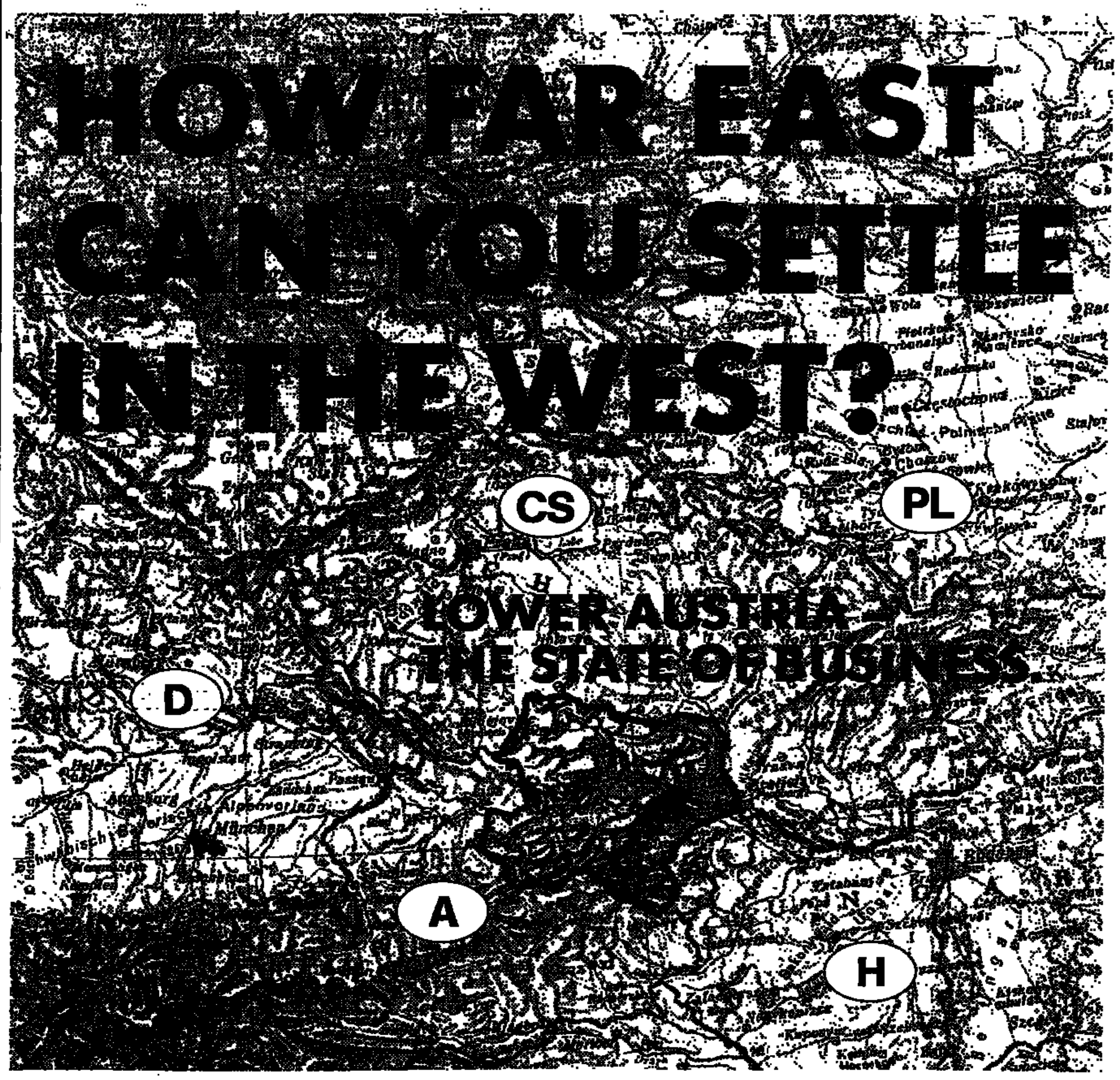
Continued from page one:
posal to hold a world exposition.

There is no evidence yet of the kind of passionate polarisation over EC entry that occurred in the UK and Spain, but analysts agree that if the referendum were held today, it would be a close-run thing.

Farmers are inevitable opponents, as their subsidies are even higher than those in the EC. Many people have also associated the EC with their anxieties about the environment in general, and pollution from EC lorries rumbling through their Alpine passes, in particular, even though these problems exist regardless of EC membership. Similarly, the fate of Austria's neutrality policy in negotiations with the EC worries people, even though the policy itself looks increasingly anachronistic.

Chancellor Vranitzky says he is confident of winning the referendum, which will not be held in any event until negotiations are completed, probably at the end of 1993.

But he acknowledges that "it will not come about without a good deal of work over the next two or three years. We have to accompany negotiations with a very clear campaign of informing the Austrian people of the pros and cons."



BANKING

Uncertainty in the face of European competition

THIS is a big week for Austrian banking.

First, the country has a new number one bank. Z-Landerbank, the product of a merger between Osterreichische Landerbank and Zentralsparkasse & Kommerzialbank, Austria's third and fourth-largest banks, starts joint operation. It is the most significant combination *yet of the fragmented forces of* Austria's banks in the face of increasingly tough European competition.

But the follow-through is becoming increasingly uncertain. For a decision is awaited later this week on another vital merger, complementing the first. *Girozentrale* and Erste Osterreichische Spar-Casse-Bank are to choose whether or not to join. Odds are that they will shy away from marriage.

By Austria's glacial standards of change, one merger is – in any case – earth-shattering. It may have temporarily exhausted the drive for reform. But keeping up with the rapidity of European integration requires more than the usual effort. The question is whether Austrian banks, and their political masters, are ready to surpass themselves.

"There is enormous pressure for change, but it is not happening overnight," says Mr Hans Haumer, chairman of Girozentrale Vienna.

The challenge arises foremost out of Austria's intention to join the European Community. In this, the banking system is no different to other sheltered parts of the country's economic life.

Already, there is increased competition from German and other European banks. To date, more than 65 foreign banks, including Westdeutsche Landesbank and Deutsche Bank, have moved in. Foreign banks were deterred by Austria's extremely low margins.

But the threat, according to banking experts, is that foreign banks will concentrate on the high-margin business, leaving mundane and unprofitable transactions to the locals. The process is already beginning with Austrian companies increasingly shopping around internationally for the cheapest loans.

Also, Austrian banking laws are being harmonised with those of the EC in anticipation of accession. New deregulating legislation is expected to go before parliament in about a year. It would increase domestic competition by further breaking down the walls between savings, co-operative and commercial sectors, behind which financial institutions have long sheltered.

Deregulation is a particular threat for the banks at the head of each sector, like Girozentrale, which began as the clearing organisation of local savings institutions. The smaller regional organisations have been obliged to deposit liquidity at Girozentrale, but will increasingly be free to hunt for the highest interest rates.

Moreover, the banks are losing their state protection as Austria falls in with European trend towards privatisation.

The authorities' willingness to bail out the banks has weakened. So has the will to maintain controlling stakes of the *major banks in public hands.*

The central government bailed out first Landerbank and then Creditanstalt in the 1980s. But that was the last.

"That phase is over," says Mr Heinz Handler, a senior researcher at the Austrian Institute of Economic Research. Part of the reason is Austria's high public-sector deficit. That also means that banks will have to turn to private investors – more demanding than the state – when they make future capital increases.

The opening-up of the market in financial services has forced Austrians to judge how they compare with the competition. Not altogether favourably, by some measures.

The top 15 banks made an average return on assets of 0.33 per cent in 1990. That was among the lowest in western Europe.

"In Austria, banks followed much more of a market-share strategy than an earnings policy," explains Mr Handler.

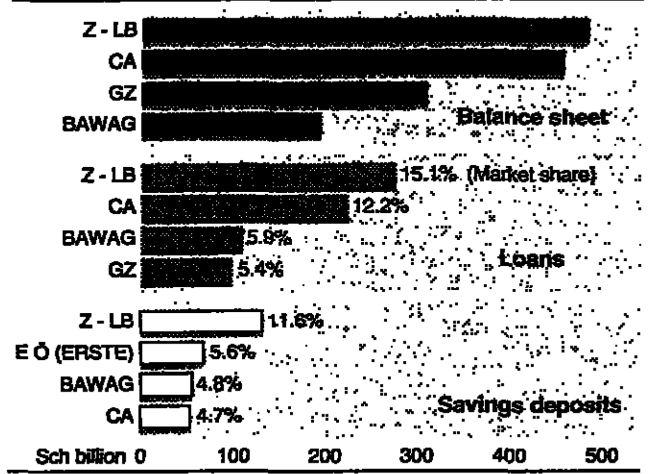
Figures show Austria to be over-banked and over-branched. "It's material for the book of records," says Mr Gerhard Randa, chairman of Landerbank.

Faced with regulations on interest rates, banks competed by setting up branches, particularly from the late 1970s. Including post offices, Austria has fewer than 1,000 inhabitants per branch, the lowest in Europe.

The country also has more than 1,200 banking entities, more than Britain and Switzerland combined.

Mr Randa estimates that the three largest Austrian units (before the recent merger) had 20 per cent of market share compared with 60-70 per cent generally in western Europe.

Leading Austrian banks



Nor have Austrian banks' overseas ventures faced up well to the competition. Many were drawn to London by the possibilities of quick profits which contrasted with dull local margins.

But Creditanstalt recently decided to withdraw from mergers and acquisitions work in London after large write-offs. *Others like Girozentrale also* appear to have gone beyond their depth.

Foremost among the prescribed remedies is concentration through mergers – "from the facts and figures it's an absolute necessity," says Mr Randa.

Many bankers and independent experts reckon that Austria has room for four to five universal banks with the critical mass necessary for survival. More uncertain is which banks will be among the set and in which combinations.

Officials are already partly satisfied with the belief that Austria now has two sturdy European players in Z-Landerbank and Creditanstalt.

They will also sharpen domestic competition. It will make for a "level-playing field," says Mr Guido Schmidt-Chiari, chairman of Creditanstalt, formerly Austria's largest bank.

The alliance between Zentralsparcasse and Landerbank is widely seen as a good fit. Z's strength in savings, still the cheapest source of funds, complements Landerbank's position in commercial lending and international business.

But the new bank's competitors say that the merger will take years to work through, preoccupying managers with internal matters.

Mr Randa responds that this is "self-delusion" and promises aggressive marketing of the new bank.

Nevertheless, costs will be increased initially by an upward equalisation of wages in the two merging units, costing an ongoing Sch 200m a year.

Moreover, an undertaking not to begin the merger with branch closures could limit future savings. Even so, Mr Randa predicts positive net savings within two years, denying the claim that the price for winning political acceptance of the merger was too high.

The problems of the Z-Landerbank are as nothing compared with those of Girozentrale as it tries to gain mass. Girozentrale, a unique institution, has *no* branches of its own, only allied savings banks. As these increasingly go their own way, Girozentrale search for mergers becomes more desperate.

But the negotiation is fiendishly complicated. One banker described merging Girozentrale with Erste as like playing with a Rubik's cube. There were political, economic and personal dimensions to the deal, all of which had to line up.

The economic dimension is that the smaller savings institutions which own shares in Girozentrale fear competition from the merged entity. They want restrictions on new branches which Erste is unwilling to concede.

Privately, bankers say that a more important obstacle is personal rivalry between the heads of the two institutions.

The difficulties may have exhausted the urge to merge, leaving the authorities to make do with two European-class banks. In any case, mergers will not in themselves force Austria's banks to pay more attention to earnings. Privatisation is seen as the key to that.

The state's share in Creditanstalt has already been brought down from 60 to 51 per cent and the bank hopes eventually to reduce that further to 25 per cent.

Further privatisation at Creditanstalt and other publicly-owned banks depend heavily on the revival of the Vienna stockmarket. Creditanstalt's forthcoming capital increase will not further privatisation because proportional subscription by the state is needed to support the share price in a weak market.

But next year, market conditions allowing, Z-Landerbank plans to make a capital increase of over Sch 1bn. Mr Randa thinks that neither the state nor the City of Vienna, the two main shareholders, are in a financial position to maintain their percentage holdings.

Private institutions such as insurance companies are likely to take up the bulk of the issue. That would mean a dilution of public ownership, if not outright privatisation.

Privatisation, as well as concentration, is therefore likely to proceed – but uncertainly and not necessarily the full distance.

By Austrian standards, the changes are in any event already revolutionary. But, as Austria opens up, its banks face not merely local standards but European ones,too.

Influx of people, not goods, is the main concern

Mixed reactions over eastern neighbours

AUSTRIANS find themselves in the position of inhabitants of a *cul-de-sac* which is being widened into an intersection. After the upheavals since 1989, what was a tight corner of western Europe abutted on three sides by the socialist bloc has become an increasingly busy thoroughfare to the opening east.

Local reactions are mixed. Put crudely, business has responded with enthusiasm and the public with uncertainty – with the government torn between the two.

For the opening-up of its eastern neighbours presents an unprecedented challenge for Austria, but one with both positive and negative sides. On the one hand there are the opportunities for investment and trade which arise out of Austrian companies' special understanding of and proximity to eastern Europe.

Proximity is less appealing to those ordinary people for whom the region is the dark origin of emigrants, pollution and instability. Austria's reaction to these disturbances will test its reputation for insularity. The government's job is to persuade that engagement with the east is synonymous with preserving all that can be of Austria's comfortable way of life.

Austrian businessmen need no convincing. They talk enthusiastically of the "Austrian edge" in doing business in eastern Europe and the opportunities it gives.

The edge consists of several factors. First, and most obviously, eastern Europe is Austria's backyard. Prague, Krakow, Budapest, Zagreb and Ljubljana are all within about 350km of Vienna. Bratislava, capital of Slovakia, is just 50km away. Close enough, says Mr Walter Schuster, managing director of GZ-Investment Zentraleuropa (GZIZ), to have lunch in Vienna and still be in time for a 3pm meeting with his largest client, a Slovak machinery plant.

Vienna's position means also that businessmen can work in neighbouring countries and return home at weekends, and avoid uprooting their families.

Austrian businessmen also claim that they understand the eastern European mentality. Mr Schuster says that he knows that a deadline for a Hungarian is the date on which he will begin to look at the matter. And Austria's Maculan Holdings put down their capture of a Soviet construction contract because the German rivals Philip Holzman ran out of patience during negotiations.

There is a less charitable explanation for the special relationship – "some argue that Austria is the most socialist state left in Europe – and that fits right in with the old Ostblock," says one expatriate banker in Vienna.

Austria also shares with its neighbours the inheritance of Habsburg bureaucracy. That means its businessmen understand better the importance of informal official approval before embarking on a project.

Czech soldiers use wire cutters to dismantle the border fence between Austria and Czechoslovakia.

Language also helps. German is still the second language in neighbouring countries, at least among the older generation. More importantly, Vienna is the home to many east European émigrés, who have often stayed in touch with their place of birth, unlike those who went further afield. Girozentrale, GZIZ's parent bank, hunted out 13 Hungarian speakers and a similar number who could handle Czech out of a staff of 1,800.

Another Austrian advantage may be that its economy is dominated by small and medium-sized firms, according to Mr Jan Stankovsky, an expert on eastern Europe at the Austrian Institute of Economic Research (WIFO).

They are flexible enough to respond quickly as markets open up, he says. Some Viennese investment bankers also comment that many of their larger international competitors have retreated from eastern Europe, disappointed by the size of company privatisations.

All in all, Austria has a "tremendous" comparative advantage, says Mr Schuster. "If Austria as a country is not able to gain market share, it will be a failure."

There are few signs of failure so far. Austrian exports to eastern Europe grew by 24.8 per cent in 1990, much faster than total exports, which rose by 8.9 per cent, according to Mr Stankovsky. Austria was the source of about 10 per cent of the imports of both Hungary and Czechoslovakia, another sharp rise.

Austrian companies' role in foreign investment in eastern Europe is even more significant. An Austrian investor is the foreign partner in 27 per cent of Czechoslovak and 24 per cent of Hungarian joint ventures, according to WIFO research. Austria provided 9 per cent of foreign direct investment in Czechoslovakia and 17 per cent – equivalent to about $300m – of that in Hungary.

The Austrian stockmarket has even more vital a role. Turnover in shares of Hungarian companies in the Vienna market is double that in Budapest, according to Mr Sandor Richter of WIFO – "Vienna is in the position to become the secret capital of central-eastern Europe," he says.

Multinationals appear to share the view. Over 200 multinationals have recently indicated their intention to locate in Vienna, largely because of their interest in eastern Europe.

But while Austria is happy to go east, traffic in the reverse direction is not so welcome. For instance, Austria recently protected its concrete manufacturers from east European competition by imposing quotas on imports from outside the EC and Efta. Yet it is the influx of people, not goods, which causes the greatest concern. Despite rising *employment,* unemployment is also growing. And the media is reporting an increasing amount of crime committed by foreigners. Responding to public pressure, the government moved troops to its eastern border a year ago to try to stop illegal immigrants, mainly Romanians. For a while the government imposed visa restrictions on Poles. Currently, the government is tightening up the rules on asylum. Despite these measures, the right-wing FPO, which is hostile to immigration, has performed well in the most recent local and national elections.

Nevertheless, there are influential voices, particularly among business leaders, calling for immigration – "we could easily afford another 500,000 people," says Mr Hannes Androsch, a former finance minister, referring to Austria's low birthrate. Trying to strike a balance, the Interior Ministry recently announced that Austria would be able to integrate about 30,000 immigrants a year.

Environmental concerns also complicate Austria's attitude towards the East. The Austrian desire for Czechoslovakia to shut down nuclear power plants near the common border has soured relations. Moreover, pollution from the east European vehicles passing through Vienna is a growing concern of the green movement.

Finally, conflict in neighbouring Yugoslavia, while unlikely to spill over into Austria, is disconcertingly close.

The government is attempting to channel these worries into support for a policy of engagement in eastern Europe. The message, says Mr Albert Rohan, head of the foreign ministry's east European department, is one appealing to egoism: economic support means that the migrants will stay at home – "how this is translated into preparedness to pay up money is another question," he observes.

Austria is the second-largest contributor to the G-24's aid to eastern Europe, providing 3.7 per cent of the total according to the foreign ministry. That is the highest per capita in the OECD but not so impressive when taking account of Austria's trade and investment interests. Austria also claims credit for writing off 50 per cent of the country's extensive credits to Poland. In addition, the foreign ministry points to impressive bilateral help.

Indeed, the country was the among the first to give technical assistance to east European countries. But Mr Stankovsky says that about 70 per cent of so-called aid is spent improving things like Austrian roads and border posts. Mr Stankovsky jokes that Austria should also include as "aid" the missiles which have been deployed on the border with Yugoslavia after incursions. Real aid to eastern Europe may provide more effective protection.

Nicholas Denton

Success for **Der Standard** in the quality paper market

Lively newcomer starts newspaper war

IT IS virtually unheard of for a new daily newspaper to rise quickly to become the leader in a mature market.

Yet that is what Der Standard has done in the Austrian quality newspaper market. Since its launch in October, 1988, this lively little paper has surged past the traditional leader, Die Presse, and the Salzburger Nachrichten and now claims a circulation double that of Die Press.

Mr Oscar Bronner, founder, editor, chief executive and half owner of Der Standard, pulls no punches in ascribing the main reason for the paper's success – "the existing papers were lousy and every thinking person in the country knew it," he says.

Although, as a former journalist himself, he claims not to be attacking Die Presse – he is. Die Presse is widely criticised in Austria for being a rather stodgy and predictable mouthpiece of the industrial establishment. It is in fact owned by 18 leaders of the powerful Chamber of Commerce under a trust arrangement established after the war to ensure the existence of a quality paper.

This arrangement was set up because it was generally assumed that the Austrian quality market was too small to support a paper on a purely commercial basis. That notion persisted until Mr Bronner, with backing form the big West German publishing group, Axel Springer, started Der Standard.

The paper began, describing itself as "Austria's independent daily for business, politics and culture," but Bronner says the focus was on business. The paper was printed on pink paper to make the point clear, and published only five days a week. *His goal was to achieve* a circulation of about 50,000 copies after five years.

Der Standard: strong appeal to younger, educated readers

However, within only six months, Der Standard had achieved a circulation of 40,000 copies, and it was apparent that a lot of its readers were interested in more than business.

The paper quickly broadened its horizons, enhancing its public affairs and cultural coverage and added Saturday publishing. It has something of a cult following among young people, and is seen as a yuppy sort of paper. It is left-leaning, but not a muckraking paper.

Over half its readers are between 20 and 40 years old. It has a claimed circulation of over 70,000 (circulation figures are not published in Austria) and a surveyed readership of 269,000.

Die Presse claims a similar circulation, but its surveyed readership is only slightly more than half that of Der Standard which has pursued young readers very aggressively. University students, for example, can buy *a month subscription to* Der Standard for only Sch 120, as compared to a news-stand copy price of Sch 12 and it is probably not too difficult to qualify as a 'university student.' The paper had a lucky break in that no newspaper has a home-delivery system in the crucial Vienna market Die Presse is distributed through the post, so Der Standard could match that service without having to make a big investment.

Die Press's response so far to the new competition has been slow in coming. Chief executive Johann Fritz says the ponderous ownership structure makes it difficult to make decisions in a hurry, especially if they involve large investments. The paper had a face-lift two years ago and this autumn is finally matching Der Standard's subscription offers on university campuses. Plans for ownership restructuring are at an advanced stage.

There are rumours, alleged to emanate from Die Presse, that Der Standard has progressed much more slowly than it wanted to, and has incurred cumulative losses "of about Sch 1bn." Springer is said to be "disenchanted." Bronner denied all these rumours, claiming that Der Standard is on target to break-even next year. Its total project finance was "less than half" the alleged Sch 1bn – "it would not have made sense to be that large, because there could not have been any payback."

So where does Der Standard go from here? Bronner acknowledged that the paper has benefited enormously up to now from the excitement surrounding a new product. The 170-strong staff has worked exceptionally hard – initially in very cramped quarters, but this cannot be *expected to continue.*

Once the paper starts earning money, he said he wants to expand the editorial side – "a quality paper needs a lot of brains."

Ian Rodger

THE STATE SECTOR

From nationalisation to nationalism

Industry in Austria is still dominated by a state holding company, but there are widespread demands for privatisation, writes NICHOLAS DENTON

EXTRICATING the state from Austrian business life was never going to be easy. It permeates the economy like nowhere else in western Europe.

Industry is dominated by Austrian Industries, the state holding company which accounted for 14.2 per cent of industrial sales and 24.8 per cent of investment last year. Majority stakes in the major financial institutions give the state and municipalities indirect ownership of the extensive bank shareholdings in the rest of the economy. The utilities, of course, remain in public hands. Austria, after the changes in eastern Europe, is the last statist country left on the continent, runs the joke.

The will to privatise is there on the surface and at the highest political level. Dr Franz Vranitzky, the chancellor, and Mr Rudolf Streicher, the minister of transport and public economy, are particularly strong advocates.

But sometimes the rhetoric about getting rid of state involvement and patronage, now almost universal, is not matched by commitment.

The Verbund, the electricity utility, still has a supervisory board so political that it operates like a legislature. Socialists and conservatives hold separate caucuses before the main meeting. The Verbund is by no means unique.

The appointment of Mr Max Kotbauer, a close adviser of the chancellor, to the number two position in Creditanstalt, a leading bank, raised doubts. For regional politicians the gap between actions and words is greater.

"When privatisation means that something gets out of their influence, their behaviour falls out of line with their statements," says Mr Alexander Wrabetz, secretary general of Austrian Industries.

That may not matter too much. Economic logic drives privatisation, even in the face of mixed political signals.

"Privatisation is for me not an ideological question but one of necessity," says Mr Streicher. One necessity for state companies is private financing. The high public-sector budget deficit means that private investment is essential for restructuring and expansion.

The state has sharply reduced support for public-sector companies since 1987 and is now in no position to reverse its policy.

Even if the state does not sell its shareholdings, it will not be able to afford to subscribe to all of the forthcoming capital increases. Dilution, if not privatisation, will reduce its role.

The weakness of the Vienna stockmarket could hold things up. Austrian Industries' first share issue may be put back from 1992 to 1993 if the market does not recover. The company worries even a portion of its estimated Sch 60bn-Sch 70bn market capitalisation would flood the exchange. Moreover, the state will have to take up its portion of Creditanstalt's planned November issue to support the share price. But these are matters of timing.

Private investors, it is hoped, will give a firmer as well as a more open hand. That is needed because the opening up of Austria's economy makes cosseting of uncompetitive state companies increasingly difficult and eccentric.

"They learnt you can't keep a nationalised industry in an open economy," says Christoph Kraus of Constantia Privatbank. "Now with the EC, the same will happen to others, to services and banking."

Realisation came after the large losses made in the 1980s, in particular at Voest Alpine, the steelmaking branch of Austrian Industries. That shook the state's belief that it could successfully exercise control over industrial companies. "Formerly, the state's implicit guarantees meant that managers were not so careful with money," says Mr Wrabetz.

The first part of the remedy has been what Austrian Industries calls "cold privatisation." The group has been turned into a shareholding company. That has reduced the room for political interference and given management the freedom to operate on a more purely commercial basis. Not that it is a matter of choice. The government is committed to making no more bailouts.

Furthermore, the finance ministry has tried to convince banks that there are no guarantees, even implicit ones, for loans made to state companies.

Managers have also been given the incentive to exercise their new freedoms. Bonuses for performance make up a larger part of remuneration. In any case, the authorities are working with different material. Only about three or four of the top 45 executives remain after five years of purges.

The results so far are good. Mr Wrabetz claims that the speed of restructuring was much higher than in most private groups.

The Austrian workforce fell from 105,000 in 1985 to 65,000 as the company sold peripheral and lossmaking businesses. That has borne fruit in modest profits of Sch 3.05bn in 1990, a turnaround from losses of Sch 14bn in 1985. But, ironically, the success of efforts to commercialise the running of state companies reduces the urgency to go further.

Moreover, senior managers admit to a tendency to ease up on cost-cutting and turn to more attractive areas of management like acquisitions.

That increases the need to set the changes in stone to prevent backsliding.

"Privatisation will settle once and for all that it is impossible to return to the old principles of running state-owned industry," states Mr Hugo Michael Sekyra, chairman of Austrian Industries.

Losses in the steelmaking sector have shaken the state's belief that it could successfully exercise control over industrial companies, but the limit to Austrian radicalism on privatisation may be determined by fear of foreign takeovers.

"Private shareholders will provide a clear and stable environment, regardless of political changes which might take place in our country."

Nevertheless, it will take four to five years before private ownership grows to 50 per cent. That is the magic proportion, a figure which has not yet been breached.

Privatisation has pushed the state's shareholding in Creditanstalt and Landerbank, two of the largest banks, and the Verbund, the electricity utility, down to 51 per cent. Next comes the hard part, where the state is forced to give up the comforting thought that it has the final say.

But the real limit to Austrian radicalism on privatisation may be determined by the fear of foreign takeover. State ownership was indeed first imposed in order to stop expropriations by allied occupiers after the Second World War.

It has been sustained as an antidote to foreign control in industry which has reached 40 per cent. And now the desire to maintain some Austrian champions is colouring the approach to privatisation.

Most notable is the controversial decision to sell Austrian Industries, a disparate group including steel, chemicals and aluminium production, in one piece. As Mr Streicher explains: "Our aim is an Austrian-dominated industrial concern whose managers have to report to Vienna and Linz and not to Amsterdam and Tokyo."

Company officials also claim that the business has the common theme of "materials," point to Daimler-Benz as an example of a successful conglomerate and disparage the fashion for focussed businesses.

But behind these points is a powerful nationalism. Officials think that foreign companies, which would snap up a separate OMV, the petrochemicals arm, would choke on the whole conglomerate. Of course the danger is that the state may too.

So from nationalised industry to national industry. It is not clear how much of a difference that will make.

Anxiety over eventual EC intervention

Farmers fear a big decline in income

AUSTRIA'S farmers are among the fiercest opponents of membership in the European Community, and experts say they are right to fear the day the country joins the EC.

Hampered by geography, inefficiency and poor government policies, most farmers could suffer a big drop in income once they have to submit to the EC's Common Agricultural Policy, (CAP).

Many of Austria's farms are located in the mountainous regions of the Alps, where yields are lower and costs higher than on the plains. All over the country, most plots are too small to be able to compete with the agricultural factories of countries like the Netherlands and the UK.

Still, the biggest problem for Austrian farmers is not nature, but government. Heavy-handed regulations have kept market forces out of agriculture for decades and have helped to keep food prices high and farming income low, in comparision with EC countries.

"Since 1985, the EC has restricted prices, while we raised them and relied on administrative intervention," says Matthias Schneider, agricultural expert at the Austrian Institute for Economic Research (WIFO).

Food prices in Austria are on average 30 per cent higher than in the EC today. Not only do consumers have to pay dearly for this misguided price policy, so does the government. It has to finance the even higher export subsidies to its farmers than the EC pays its farmers to help them sell their excess production on world markets. Supply outstrips demand by an average 12 per cent in Austrian agriculture; for wheat the differential is a whopping 68 per cent.

The problems get worse the further agricultural products move away from the farm. Austria's food processing industry, dominated by the huge Raiffeisen co-operative movement, is over-regulated and suffers from low productivity. The distribution system is also inefficient.

Austrians have to spend Sch 3bn a year more for their dairy products than do Germans because of the milk cartel, and a liberalisation of the market would bring immediate savings of Sch 1bn to Sch 1.5bn, says Schneider.

But every change to this system is resisted by vested interests – "when the fruit yoghurt market was liberalised two years ago, it caused a big uproar, and people called it revolutionary," he says.

Austrian sugar mills have made some efforts to modernise and cut costs in recent years, but they still could not compete with their EC counterparts in an open market.

Heavy regulations have offered few incentives for farmers and processors to invest in the quality of their products and in marketing. That leaves Austrian agriculture particularly vulnerable to low price imports from eastern and southern Europe once the market is opened.

Agriculture is costing the Austrian government Sch 12bn in subsidies annually, and the public another Sch 23bn through excessive prices. By any normal analysis, a complete overhaul of the agricultural system is called for, but farming is no longer seen as a purely economic activity.

Particularly in the mountains, farmers are regarded primarily as landscape gardeners who maintain the beauty and health of the environment. Some agriculture industry officials are pinning their hopes for maintaining the status quo on growing public concern about the environment.

As in many other European countries, the survival of agriculture is turning into a question of preserving a whole way of life. If the failures of the small family-owned farms continue to increase, and more farmers are forced to take jobs in industry to supplement their income, rural life as it is known today could disappear. "The growing interest in small farms and disadvantaged regions in the EC accommodates Austria's interests," says Schneider.

Although about half of farming income is derived from direct or indirect subsidies, those who need the financial support most receive few of the benefits. The income gap between farmers in the mountains and those on the plains is widening every year. In 1990, income from mountain farming was one third below the national farming average.

Reform efforts have been talked about for years, but concrete action has been delayed because of the political clout of the farmers' lobby within the conservative Austrian People's Party that is part of the coalition government.

The most promising date for an agricultural Big Bang is 1992 when the current market regulations are due to expire. But the parties will probably not dare to confront the farmers with the bitter consequences of regulations in the run-up to a referendum on joining the EC. Better to wait until the last moment when the country actually enters the EC.

Change could come faster if the Uruguay Round of multilateral trade negotiations resulted in an agreement to liberalise agricultural trade. That would force Austria to switch from fixing prices to paying higher direct subsidies, which the government could not afford.

Either way farm income is expected to stagnate or decline in the next few years after robust growth in the recent past. Last year, for example, farm income jumped 11 per cent.

EC membership would offer farmers some benefits which would help offset the inevitable drop in product prices. Prices for inputs, such as fertilisers, pesticides and energy are bound to fall and should cut production costs.

The importance of agriculture for the economy is declining every year. While Austria was still predominantly a rural country 40 years ago, today farming provides only 6.7 per cent of employment and generates just 3 per cent of gross national product.

Ironically, some of the most vulnerable units may have the best chance of survival in the EC because they will probably be most protected from competition.

Eric Frey

TOURISM

Plenty to smile about

IT WAS Mozart's bicentennial, and Austria planned its biggest party ever, featuring all the kitsch and glitter that many of its fans like to see. Mozart's music has been keeping the country spellbound throughout the year, with concerts, opera performances, exhibitions and the ubiquitous *Mozartkugeln* sweets.

But Amadeus' festival was spoiled by Saddam, whose excursion into Kuwait kept some of the special guests away. As the affluent music lovers from the US and Britain cancelled their trips to Vienna and Salzburg, tourism in these centres fell far short of expectations. Visits from the US plunged by 50 per cent this summer season and British guests were down by 20 per cent.

"City tourism has suffered sharp declines, and in the five-star hotel segment, it has left an enormous gap," says Paul Schimka, director of tourism in the Austrian Chamber of Commerce.

Still, Austrians had plenty reason to smile this year. The loss in city tourism was more than offset by a wave of visitors to the Austrian countryside. Ample snowfall in the winter months, ending several years of snowless seasons, heped, as did pollution in Italy and the war in Yugoslavia.

The same Gulf war that kept Americans and the British away induced continental Europeans to cancel thei overseas travel plans and book vacations in Austria instead. In the first seven months of 1991, revenues from foreign guests climbed 9 per cent to a record Sch 84bn – "we are the winners of the season," says Egon Smeral, tourism expert in the Austrian Institute for Economic Research (WIFO). "Ecological and political crises in the Mediterranean countries are boosting our gains even more."

The flood of visitors is a boon for Austria's economy and balance of payments. In 1990, tourism generated a record Sch 322b n in national income, or 18 per cent of gross domestic product. About 19m foreign guests spent a total of Sch 148bn in foreign exchange, and the Sch 62bn-surplus in the tourism balance covered 74 per cent of Austria's deficit of Sch 83.6bn.

Experts say this trend is almost certain to continue. Smeral predicts an annual increase in tourism revenues of 4 to 5 per cent until the end of the decade, outpacing general economic growth by about 2 percentage points.

Most of the immediate gains are expected to come from visitors from western Europe, but the changes in eastern Europe should boost Austria's tourism industry in the longer term.

So far, the majority of tourists from Hungary, Czechoslovakia and Eastern Germany who have been streaming into Austria since t he breakdown of the Iron Curtain in 1989 have little money to spend, but that could change in the future. Says Schimka: "The new (German) federal states are our biggest fans, they are making up for fewer visitors (from Western Germany). And in a few years, they will be quite solvent."

More than 2m Eastern Germans are expected to visit Austria in 1991. The growing attraction of Prague and Budapest has created new competition at Austria's door-steps, but Vienna is more likely to benefit than to suffer from it. The rise of these cities "is stimulating the whole central European region," says Schimka.

Austria is still best-known as a destination for winter holidays, but it is also gaining ground in the summer months against its southern competitors. The country's reputation as a summer resort for senior citizens and middle-class families is quickly changing.

Younger, and more affluent are visiting the mountain resorts in the summer, lured by an unspoiled environment and a growing variety of activities, such as mountain-climbing, rafting and para-gliding. Health cures is another growth market in which Austrian resorts are participating.

To make up for the lack of snow in many winters, top-level hotels are investing in "entertainment and experience tourism," such as sport and social facilities, says Schimka. "Vacationing in the mountains is increasingly 'in,' and the good winter facilities are also the best summer hotels," he says.

While vacationing can still be quite cheap in some parts of the country, Austria as a whole has become the third more expensive holiday country in Europe, surpassed only by Switzerland and Spain.

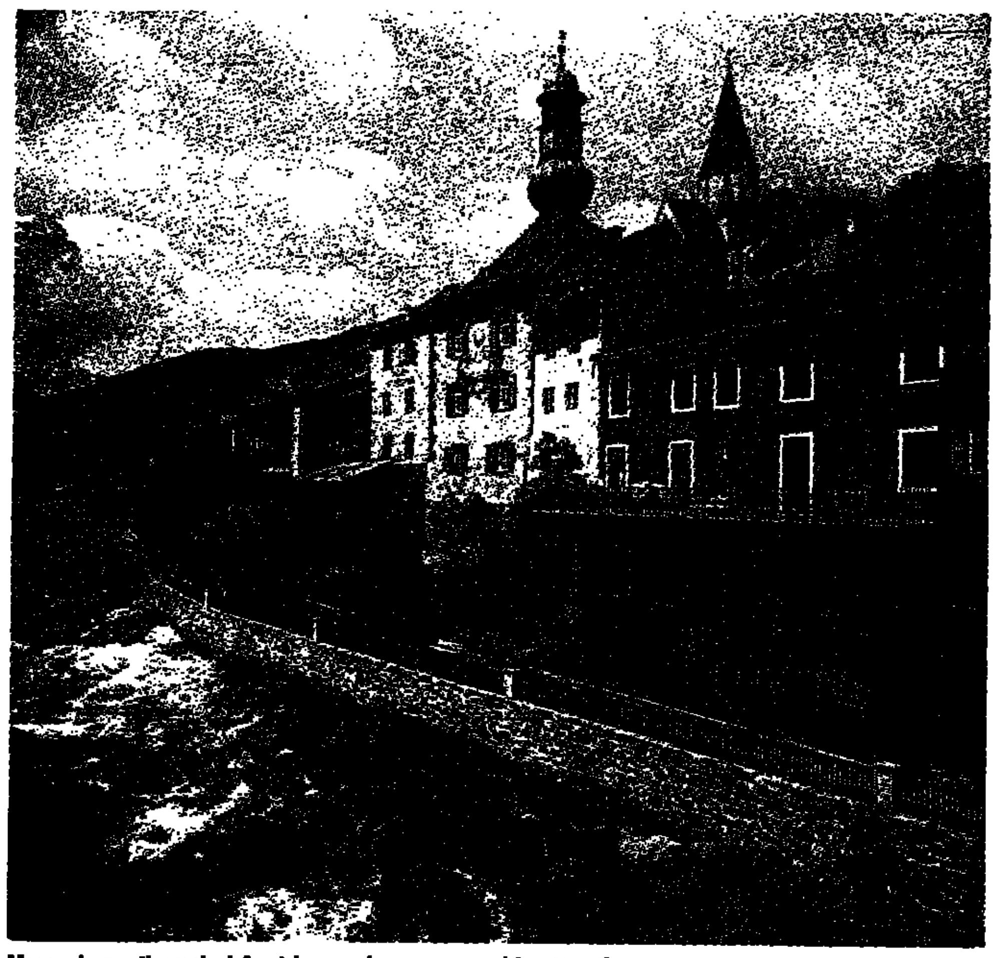
For some observers tourism is growing too fast. Excessive traffic congestion and pollution is most troubling in the remote alpine valleys that belong to the country's main tourist attractions. Resistance by locals and environmental groups is already stifling further expansion of touristic facilities in many of these regions – "in large parts of Austria, the limits of quantitative growth have not only been reached but already passed," says Smeral of WIFO.

A growing labour shortage, particularly in the peak season, is another pressing problem for the industry. There is no lack of job seekers among Austrias's eastern neighbours, but a legal structure for foreign seasonal workers has not yet been found. The Austrian ministry of economics is currently experimenting with a programme of short-term work permits for the peak tourist season. Industry representatives are also complaining about a shortage fof financial resources for investments that are needed to keep Austrian resorts competitive.

"A large number of hotels were built in the early '70s, and they are now in need of renovation," says Schimka. Tourism enterprises are generally undercapitalised, as Austria's tax code is offering few incentives to companies to strengthen their capital base, he adds. And the massive flow of subsidies that has helped to finance the expansion in tourism over the past 30 years is shrinking because of budgetary constraints and Austria's adjustment to European Community rules.

Eric Frey

□ *Pictures by George Hall*



Murau in south-central Austria: rural areas are a big attraction.

Saalfelden, near Zell am See, north west of Innsbruck.

Tourists and music lovers in Salzburg outside Mozart's birthplace. Although the Mozart bicentennial celebrations were spoiled by Saddam as international visitors stayed away during the Gulf war, the number of tourists has since recovered strongly.